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## MUNICIPAL ENERGY REFORM IN UKRAINE

# MUNICIPAL ENERGY REFORM PROJECT (MERP)

## SEVENTH QUARTERLY REPORT

APRIL 1, 2015 – JUNE 30, 2015



### July 2015

This document was produced for review by the United States Agency for International Development (USAID).

It was prepared by the Municipal Energy Reform Project in Ukraine implemented by International Resources Group for USAID/Ukraine.

Key to cover photos:

MERP COP Larry Good and SAEI Chairman Serhii Savchuk attend Forum "Independent Heat-and-Power Engineering"	MERP COP Larry Good discusses the current status of cooperation with the 1st Deputy Minister of MinRegion Volodymyr Kistion	Tomas Peterson, President and CEO, Center for Climate Strategies speaks at training seminar on LEDS Action Plan Process in Kyiv
MERP COP Larry Good and USAID Mission Director Jed Barton greet each other during Information Fair in Verkhovna Rada	MERP Sustainable Energy Manager Oleksandr Nikolaienko demonstrates Clean Energy technologies during EE Days in Ivano-Frankivsk to local children	MERP DCOP Andriy Mitskan participates in workshop on Energy Efficiency Improvements in Multi-Apartment Buildings in Ternopil
Children visit MERP Information Kiosk at Sustainable Energy Week in Vinnytsia to learn more about energy efficiency and clean energy	Journalist Viktoriia Sydorova accepts Award for Best Journalistic Art at Winners Award Ceremony of contest for best published materials on EE	People look at MERP City Light Poster calling to reduce consumption of natural gas through its substitution with alternative energy sources at bus stop in Kyiv

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CLEAN ENERGY IDIQ: AID-OAA-I-13-00015

Contract: AID-I21-TO-13-00006

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## **DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



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# ABBREVIATIONS

AE	Alternative energy
ADS	Automated directive system
AUC	Association of Ukrainian Cities
CA	Condominium association
CE	Clean energy
CEE	Central and Eastern Europe
CHP	Combined heat and power
COM	Cabinet of Ministers of Ukraine
COR	Contracting Officer's Representative
DCA	Development Credit Authority
DH	District heating
DIR	Data and information request
DTEK	Donbass Energy and Fuel Company
EAB	Energy audit of buildings
EBRD	European Bank for Reconstruction and Development
EC-LEDS	Enhanced capability-low emissions development strategies
EE	Energy efficiency
EPC	Energy performance contracting
EPBD	Energy Performance of Building Directive
ESCO	Energy services company
ESIB	Energy Saving Initiative in the Building Sector in Eastern Europe and Central Asia
ESP	Energy service provider
EU	European Union
EWG	Expert working group
E5P	Eastern Europe Energy Efficiency and Environment Partnership
GCC	Global climate change

GDA	Global Development Alliance
GEC	Grant Evaluation Committee
GHG	Greenhouse gas
GIZ	German Bilateral Aid Agency
GOU	Government of Ukraine
HOA	Homeowners' association
HOAC	Homeowner Advisory Center
IBSER	Institute for Budgetary and Socio-Economic Research
IEA	International Energy Agency
IEE	Initial environmental examination
IFC	International Finance Corporation
IFI	International financial institution
INDC	Intended Nationally Determined Contributions
IRG	International Resources Group
IRR	Internal rate of return
IT	Information technology
KPI	Key performance indicator
LEDS	Low emissions development strategies
MEP	Municipal energy plan
MEDT	Ministry of Economic Development and Trade
MEIS	Municipal energy information system
MH	Municipal heating
MERP	Municipal Energy Reform Project
MinRegion	Ministry of Regional Development, Construction, Housing and Communal Services
MOU	Memorandum of understanding
MSP	Ministry of Social Policy
NAER	National Agency of Ukraine on Ensuring Efficient Energy Resources Management
NECSRC NCSRC)	National Energy and Communal Services Regulatory Commission (see
NCSRC	National Communal Services Regulatory Commission
NEFCO	Nordic Environment Finance Corporation



NGO	Non-governmental organization
NMHS	National Municipal Heating Strategy
NIB	Nordic Investment Bank
NIISK	Ukrainian State Research Institute of Building Structures
NPV	Net present value
NUPAS	Non-U.S. Organization Pre-Award Survey
OTI	USAID's Office of Transition Initiatives
PC	Price cap
PMP	Performance monitoring plan
PO	Purchase order
PPP	Public-private partnership
PSA	Public service advertisement, public service advertisement
QI	First quarter
RAB	Regulatory asset base
RC	Revenue cap
REDS	Resource efficiency development strategies
ROR	Rate of return regulation
RFA	Request for application
SDC	Swiss Agency for Development and Cooperation
SAEE	State Agency on Energy Efficiency and Energy Saving of Ukraine
SEAP	Sustainable energy action plan
SEIA	State Environmental Investment Agency
SIDA	Swedish International Development Cooperation Agency
SOW	Scope of work
SSC	State Statistics Committee
TF	Task force
TOR	Terms of reference
TOT	Training of trainers
UAH	Ukrainian hryvna (currency)
UKEEP	Ukraine Energy Efficiency Program
UNDP	United Nations Development Program

UNFCCC	United Nation Framework Convention for Climate Change
USAID	United States Agency for International Development
VR	Verkhovna Rada (legislature)
WB	World Bank

## BACKGROUND

The United States Agency for International Development (USAID) Mission for Ukraine, Moldova, and Belarus, Office of Economic Growth supports the implementation of the **Municipal Energy Reform Project (MERP, the Project) in Ukraine** as described in the Statement of Work and further detailed in International Resources Group's (IRG) Technical Proposal, and subsequent modifications.

The primary purpose of the USAID MERP is to enhance Ukraine's energy security. Increased end use energy efficiency (EE) combined with increased production of clean energy (CE) in large towns and cities will reduce the consumption of conventional energy in Ukraine while cutting greenhouse gas emissions, energy expenditures, and imports. The Project has four main tasks:

- Improve CE Regulatory and Legislative Enabling Environment.
- Promote Investment in Clean Energy Technologies and Applications.
- Strengthen Capacity Building and Dissemination.
- Enhance Capacity for the Government of Ukraine (GOU) in Low Emission Development Strategies (LEDS).

The Government of Ukraine is engaged in reforming the municipal energy sector and addressing challenges identified in its GOU Program of Economic Reforms for 2020. The emphasis is on encouraging CE/EE through price signals and improving the competitiveness and reliability of municipal services. Ukraine's energy policies are shifting to favor domestic resources and strengthening the energy market framework to approach EU standards. Adoption and full implementation of the provisions of the Energy Community (EnC) Treaty and Global Climate Change (GCC) Convention could provide Ukraine with a competitive, transparent, and predictable market framework. This will attract investment and underpin CE and EE improvements in the energy sector.

The Project focuses on introducing energy efficiency and clean energy in cities by assisting municipalities with

- Planning, preparing, and financing clean energy projects
- Introducing energy management systems
- Supporting the implementation and development of DCA loan guarantees
- Supporting mechanisms that mobilize private sector investment, i.e., energy services companies (ESCOs)
- Preparing sustainable energy public awareness plans.

The overall objective of MERP is to enhance Ukraine's energy security. Increased end use energy efficiency combined with increased production of clean energy in large towns and cities should reduce

- a) consumption of conventional energy like imported natural gas from unfavorable sources.
- b) greenhouse gas (GHG) emissions.
- c) energy expenditures.
- d) energy imports.

This Quarterly Report #7 (QR7) is submitted in accordance with the Contract requirements and covers the project period from April 1, 2015, through June 30, 2015. The Report serves as a tool for evaluating the Project's progress and achievements and provides a summary of Project activities, accomplishments, issues, and problems encountered in implementing the activities set by the Project Work Plan. Finally, the Report weighs the accomplishments in the context of the indicators set by the Monitoring and Evaluation Plan. QR7 is a summary of activities from the Project start until the end of the 7th Project quarter.

# A. SUMMARY OF PROGRESS AND ACCOMPLISHMENTS

## General Accomplishments

Ukraine experienced continued, extreme socio-political disruption in two eastern oblasts during this quarter. Despite significant restructuring of GOU agencies, a continuing economic crisis and increased GOU attention to the war in Eastern Ukraine, MERP made very good progress in accomplishing the Work Plan for Year 2. The Project regularly submitted reports to USAID on the achievement of Project milestones. On the technical side, the Project advanced in its four main activities: (i) improving the enabling environment for clean energy regulation and legislation; (ii) promoting investment in clean energy technologies and applications; (iii) capacity building and dissemination; and (iv) enhancing capacity of the GOU in Low Emission Development Strategies (EC-LEDS).

The Project conducted a targeted public information campaign in 17 partner cities. During the reporting period, MERP received additional funding from USAID to organize a National Public Information Campaign on social protection of low-income consumers and energy efficiency.

MERP activities had good visibility and favorable attention from USAID. USAID expressed its interest and appreciation of MERP team accomplishments on both the national and municipal levels.

- MERP participated in a USAID round table, organized by the USAID Office for Economic Growth (OEG), and attended by Mr. Jonathan Katz, USAID Deputy Assistant Administrator, to discuss the progress of economic reforms in Ukraine. The MERP COP informed participants about improvements in the clean energy legal and regulatory environment, the development of a standard on energy audits in buildings and an improved social protection procedure.
- MERP management participated in a USAID round table with Acting Assistant Administrator (AAA) Susan Fritz, USAID Mission Director Jed Barton, OEG Director Steve Gonyea and Deputy Director Michael Torreano, and COR Andriy Nesterenko. MERP COP Larry Good informed participants about project activities and results. MERP DCOP Andriy Mitskan answered questions on assistance to the National Regulatory Commission, municipal strategic energy planning and energy management, and the improvement of the National GHG Inventory System. The USAID AAA recommended better quantifying of MERP results to inform USAID and USG officials on MERP impacts on Ukraine's energy security.
- MERP participated in the Information Fair in the Verkhovna Rada. The event was supported by USAID projects. USAID Mission Director Jed Barton gave the welcoming remarks and outlined key priorities of reforms in democracy, rule of law and the fight against corruption. The Project provided information materials to the national deputies on energy efficiency policies, municipal energy planning, municipal energy management, energy saving measures and protection of low income consumers.

MERP conducted its activities in close coordination with the US Embassy, US Congress, and other US Government (USG) institutions:

- US Ambassador Geoffrey Pyatt opened the Round Table on Energy Efficiency in the District Heating Sector, organized by the US Department of Energy and conducted in the Verkhovna

Rada. Mykola Martynenko, Head of the Verkhovna Rada Energy Committee, chaired the event. In attendance were USG officials, Chairman of the State Agency on Energy Efficiency (SAEE) Serhiy Savchuk, 1st Deputy Minister of Energy Olexandr Svetelik, 1st Deputy of Minister of MinRegion Volodymyr Kistion, national deputies, IFIs, donors and international projects. Participants discussed GOU policy and best practices in energy efficiency. Meredydd Evans from Pacific Northwest National Laboratory (PNNL) delivered a presentation on the US experience in government support of energy efficiency. Andrew Popelka from USAID gave a presentation on residential energy efficiency best practices in Central and Eastern Europe. The Project participated in discussions on the application of best practices in the Ukrainian legal environment and on the need for updating the legal and regulatory framework to meet EnC requirements.

- MERP participated in a round table with US Department of Commerce Deputy Assistant Secretary (DAS) Matthew Murray. The US-Ukraine Business Council (USUBC) organized the event in cooperation with the US Foreign Commercial Service, US Embassy, and American Chamber of Commerce in Ukraine. MERP gave a presentation on its project, emphasizing investment opportunities. Many speakers complained that the Ministry of Finance of Ukraine was blocking their progress. MERP also reported that this ministry is trying to block the ESCO legislation. After the roundtable DAS Murray offered free experts from DoC to help MERP activities. He also announced that the US Ambassador to Finland could come to Ukraine at his own expense to support reforms.
- Project management participated in a reception with the Committee on Energy & Commerce of US Congress, also organized by USUBC. At the reception, the MERP COP and DCOP met with a number of US Congressmen and explained Project activities that contribute to the energy security of Ukraine.

### **National Level Assistance**

MERP continued supporting GOU (MinRegion, SAEE, NECSRC, and the Ministry of Social Policy) during the reporting period to develop clean energy policies, legislation and regulations. The assistance is based on EU EnC requirements and best international practices. The Project participated in GOU working groups on the development of key policies, laws and regulations related to energy efficiency, renewable energy, and climate change.

The Project assisted the State Agency for Energy Efficiency (SAEE) with implementing the National Action Plan on Renewable Energy by developing sub-laws, incentive mechanisms, and methodologies. The Project participated in SAEE working group meetings on the preparation of energy standards related to renewable energy. SAEE Department Head Ihor Kovalev chaired the meetings, attended by renewable energy professionals, local NGOs and international projects. Participants discussed a methodology to identify and calculate the portion of renewable energy sources in Ukraine's energy balance, as requested by Directive 2009/28/EC Implementation Plan in Ukraine. The Project delivered a presentation on findings and recommendations for this methodology. The participants agreed to use the SHARES open source software from the EU for calculation purposes. MERP provided support on translating the manual for the SHARES software and submitted it to the SAEE working group.

MERP assisted the Ministry of Regional Development, Construction, and Communal Services (MinRegion) on a number of key pieces of legislation such as the ESCO legal package, the bill on Metering and the bill on Energy Efficiency in Buildings. The Project participated in a round table discussion on the bill on Energy Efficiency in Buildings organized by SAEE, the Verkhovna Rada Committee on Regional Development and the EU Energy Community Secretariat. National Deputy Olexander Dombrovskiy chaired the event and described to the participants progress on energy efficiency policies and legislations. SAEE Chairman Sergei Savchuk gave a presentation on the latest

updates on the bill on Energy Efficiency in Buildings developed with MERP assistance. The EU Energy Community and EU Delegation provided comments and suggestions on improving the current version of the bill that was scrutinized by the Ministry of Justice and the Ministry of Finance. The Project will continue supporting SAEE in finalizing the bill and submitting it for final approval by the Verkhovna Rada.

Assistance from the Project and other donors resulted in approval of an ESCO legal package and important legislation on ownership in residential multi-story buildings. With Project assistance, GOU introduced a new government support program to promote commercial lending to residential energy efficiency projects.

MERP assisted Verkhovna Rada committees on the approval of clean energy legislation. Project management met with Ms. Nataliya Katser-Buchkovska, National Deputy and Head of the Verkhovna Rada Energy Committee's Sub-Committee on Sustainable Development and Investments, to discuss the progress of legal reforms in the municipal energy sector. The Project provided information on its support of the GOU and VR committees in amending legislation and adopting EU Energy Directives in Ukraine. The Project informed Deputy Katser-Buchkovska about the pressing need to approve the National Action Plan on Energy Efficiency and key bills on energy efficiency, such as the Law on Energy Efficiency in Buildings, Metering Law and Law on Independent Energy and Communal Services Regulation.

MERP continued assistance and capacity building for the National Energy and Communal Services Regulatory Commission (NECSRC). In coordination with WB/SIDA and EBRD, MERP assisted NECSRC on improving the investment methodology. The Project assisted NECSRC on improving the current tariff calculation system and regulations governing setting tariffs for heat energy produced from nontraditional and renewable energy. The Project developed a service quality monitoring methodology and submitted it to the Regulator for review and approval.

In June, the Project supported the participation of NECSRC officials in the annual meeting of the Energy Regulators Regional Association (ERRA) in Budapest. During the meeting, NECSRC became a new full member of ERRA. ERRA membership will help the Ukrainian National Commission:

- to improve national energy regulations;
- to foster the development of stable energy regulators with autonomy and authority and to improve cooperation among energy regulators;
- to increase communication and the exchange of information, research and experience among members; increase access to energy regulatory information and experience around the world; and promote opportunities for training.

MERP continued to support the Ministry of Social Policy on improving the social safety net for the vulnerable portion of the population. The Project provided capacity building for the Ministry of Social Policy on the enforcement of the new social subsidies procedure as per GOU Decree #106. Jointly with the World Bank, the Project conducted eight seminars on the new subsidy program for regional social protection departments of the Ministry.

## **EC-LEDS Activities**

MERP continued coordination meetings with international donors and technical assistance projects dealing with Low Emission Development Strategies (LEDS) related issues. Under implementation of the MoU with the Ministry of Ecology (MinEcology), MERP engaged in a variety of activities. They included improving the primary and secondary legal framework for clean energy, creating favorable conditions to attract investments in the clean energy sector, institutional capacity building for the Government of Ukraine (GOU) and disseminating international experience. The Ministry established

the Climate Change Working Group to serve as a platform to support LEDS. The Project provided assistance to the expert working groups on GOU climate policy development, its format, as well as issues with formulating the Intended Nationally Determined Contributions (INDC). The Project has been tasked with coordinating the development of a draft work plan, i.e., a scope and agenda for the working groups (WGs), by organizing and facilitating expert meetings of the WG outside the MinEcology office.

The Project met with the Head and Deputy Head of the Macroeconomic Forecasting Department of the Ministry of Economy. They discussed the Ministry's role in preparing the INDC and the vision for the long-term economic development of Ukraine to 2030 and beyond. MERP experts gave a presentation on the macroeconomic and sectoral indicators used in calibrating the TIMES-Ukraine model. In particular, they distinguished between short and medium (up to 2030) and long-term (beyond 2030) forecasts. They also covered the growth rate of output and GDP (aggregated in terms of economic activity), forecasted processes of capital accumulation, trade flows and the issue of long-term structural changes in the economy. The Project and the Ministry agreed to continue coordination regarding Enhanced Capacity for Low Emissions Development Strategies (EC LEDS) and preparation of the INDC.

MERP supported development of the INDC and the bill on Climate Change Strategy. The Project conducted a process of broad stakeholder consultation according to best international practice. MERP organized, hosted and facilitated five meetings of expert groups on INDC.

The Project developed a curriculum and started to deliver capacity building workshops on EC LEDS. The Project conducted a training needs assessment of GOU officials on EC LEDS and prepared a report to define the participant profile and subsequent updates to the training program.

In June 2015 the Project conducted a 3-day capacity building seminar on EC LEDS for 54 people from government ministries and agencies in all sectors: the private sector (industries and enterprises), non-governmental organizations and civil society, academic and technical institutes, and consulting groups. The training course effectively supports the implementation of an actual LEDS action plan process in Ukraine, as well as both earlier and longer term investment and implementation.

The Project continued updating and populating the TIMES-Ukraine model with baseline and alternative scenarios of Ukraine's energy sector development to 2050, as well as with estimations of greenhouse gas (GHG) emissions for each scenario and their combinations. The Project conducted a number of training workshops with GOU stakeholders on LEDS forecasting and the use of the TIMES-Ukraine model.

### **Municipal Assistance**

The Project has already supported seven partner cities in capacity building, baseline data collection, and the development and approval of Sustainable Energy Action Plans (SEAPs). These are sub-national LEDS. The goals are at least 20% energy savings, a 20% increase in renewable energy, and a 20% reduction of GHG emissions, all by 2020. City councils in all seven partner cities approved their SEAPs and started implementation.

During the reporting period, the Project started assisting the second group of partner cities. The eight cities will work on SEAP capacity building, baseline data collection and the development of low-emission development strategies.

In April and May, the Project and its partner Regional Training Centers organized introductory seminars for members of City Advisory Committees in the partner cities of the second group. The seminars covered SEAP development and setting up an energy management system.



The Project conducted “walk-through” energy audits of municipal energy systems in the partner cities and prepared energy scanning reports. During the walks, the Project collected baseline data and identified investment opportunities to meet SEAP targets.

In June, the Project conducted a second series of training sessions at RTCs on developing SEAPs for partner cities from the second group. Representatives from relevant departments and divisions of city councils and utility companies attended the seminars. The Project gave presentations on the draft inventory of CO<sub>2</sub> in the partner cities and discussed the investment projects to be included in SEAPs in these cities. Participants commented on the results of the financial and economic analysis of the proposed investment projects, the ranking of the projects, possible sources of financing, and a targeted information campaign. The SEAPs should be finalized by the end of the calendar year. The Project continued capacity building with local energy managers on the introduction of municipal energy management systems as per ISO 50001.

### **Targeted Public Information Campaign**

During the reporting period, the Project continued its outdoor advertising campaign for energy efficiency. Also, the Project placed new bill board and city light posters in partner cities in a call for reducing the consumption of natural gas by substituting it with alternative energy sources.

The Project’s commercial media partner contributed the placement of ~~6004000~~ billboards and ~~500200~~ city light posters free of charge. This contribution is estimated to be worth over USD 100,000. The Project’s design partner allocated over USD 16,000 of its human and material resources for the development of alternative energy billboards and city lights. The leverage of this private sector contribution is 1:11.

In May and June, the Project supported a number of outreach events on the national and municipal levels. For example, the Project participated in the Information Fair at the national legislature. Many USAID projects supported the event. USAID Mission Director Jed Barton delivered the welcoming remarks and outlined key priorities of reforms such as democracy, rule of law, and combatting corruption. The Project provided information materials to the National Deputies. Information topics included energy efficiency policies, municipal energy planning and energy management, energy saving measures and protection of low-income consumers.

The Project also helped cities conduct energy efficiency days that supported the approval and implementation of SEAPs. Over 10,000 people, including representatives of city and oblast administrations, NGOs, media and local citizens attended these events. During these events the MERP team, in cooperation with city administrations and volunteers from local secondary schools, organized information pavilions in the central squares of the partner cities. Here the staff and volunteers distributed more than 2000 copies of educational materials, namely, 10-tips brochures on how to conserve energy in multi-apartment buildings, a brochure called “Why do tariffs go up?” and posters on EE in households. Located in central squares, these pavilions also served as counseling centers, scientific labs and creative studios that demonstrated energy efficient technologies and clean energy applications. While adults were learning how to save money and energy, young visitors had a great time participating in various creative and scientific workshops. The youngsters made paper windmills, assembled alternative energy sources and electrical devices, played EE games and took EE quizzes.

The Project continued to coordinate its targeted public information activities with energy market stakeholders organized by the GOU Communication Group. The Project participated in several events to establish connections among basic units of energy market stakeholders - businesses, government, industry, professional associations, and NGOs. During the meetings, the Project shared its plans for an information campaign with the GOU Communication Group, World Bank, and a commercial media marketing group. The information campaign will promote social safety nets and energy efficiency.

## Investment Attraction

The Project is assisting the partner cities with preparation, structuring, and negotiation of clean energy investment projects listed in the municipal sustainable energy action plans (SEAPs). MERP organized a workshop to present the manual, “Project Proposal Preparation of Clean Energy Projects,” in Kamyanets-Podilskyi. The event was attended by USAID Contracting Officer’s Representative (COR) Andriy Nesterenko, DCOP Andriy Mitskan, representatives of 17 MERP partner cities, SAE, MinRegion, IFIs, as well as project experts and the staffs of Regional Training Centers. The Project gave a presentation on the preparation cycle for Clean Energy (CE) projects, such as district heating, water/waste water, municipal transport, buildings and street lighting, in municipal areas.

MERP organized a series of training seminars in the partner cities called Energy efficiency improvements in multi-apartment residential buildings: technical, financial, legal and organizational aspects.

MERP continued assisting the USAID DCA team regarding opportunities for the new energy efficiency DCA facility in Ukraine. The Project provided information on energy efficiency projects and their technical and financial aspects. The Project met with the USAID DCA team and discussed the current banking sector crisis and other risks affecting the launch of the new DCA facility.

The pipeline of clean energy projects in the partner cities includes:

- A \$10 million investment proposal developed for an EBRD loan to the Chernihiv Municipal EE Transport Project
- An investment-grade audit of 11 public buildings for \$1.6 million of investments by NEFCO and E5P in Ivano-Frankivsk
- A business plan for NEFCO for \$1 million of investments and a SIDA grant for EE in Lutsk public buildings
- Technical specifications for an IBRD/CTF EE loan of \$22 million to Kherson
- Capacity building for commercial banks, e.g., DCA with Bank Lviv, and for HOAs to support residential EE lending
- Other investment opportunities in Vinnystya, Kramatorsk, Kyiv and more.

## Capacity Building

During the reporting period, based on the agreed transitioning plan and the program description agreed with USAID, MERP continued preparing the Renewable Energy Agency (REA) for direct USAID award. The preparation included review and improvement of organizational policies and procedures and assistance with implementation.

At the request of MERP, Ernst and Young (E&Y) conducted a survey of the financial and management systems of REA. The purpose of this survey (based on the non-US organization pre-award survey, or NUPAS guidelines) was to determine whether the non-governmental organization REA has the ability or potential ability to comply with the USAID and US Government policies and the degree of support necessary to ensure proper accountability of funds provided to the organization. As a result of the survey, the Project determined that certain areas require improvement. In order to address the report findings, REA developed a detailed action plan and requested additional funding to increase time inputs related to the improvement and implementation of organizational policies and procedures as well as to procure necessary commodities and services. REA received a grant under MERP to implement the “Promotion of Natural Gas Substitution with Biomass in Heat Energy Production” project. In order to support the transitioning of this NGO to a direct USAID award, MERP submitted the approval request for additional funding within the existing MERP budget to USAID.

During the reporting period, MERP partner NGOs continued implementing projects under grant agreements and achieved the following results:

- Association of Energy Engineers of Ukraine (AEEU), project titled “Implementation of Independent Certification System for Energy Management Specialists” - Requirements and selection criteria for the specialists to be certified were developed and agreed with the certification body; action plan to ensure certification program implementation in Ukraine, including recognition by key partners and governmental bodies, developed; selection of certification training participants accomplished.
- Energy Efficient Cities of Ukraine, project titled “Practical Model of Local Government Capacity Building for Efficient Energy Management” - Training for the partner cities on implementing the energy management function conducted; informational materials on selecting energy auditors for the municipalities developed and training conducted; training events for local NGOs operating in EE area organized.
- Renewable Energy Agency (REA), project titled “Promotion of Natural Gas Substitution with Biomass in Heat Energy Production” - Selection of cities to conduct analysis of biomass potential and for the development of feasibility studies conducted; preliminary analysis of biomass potential for the projects implementation in the selected cities conducted; draft manual on development and implementation of biomass energy projects in heat production developed and training scheduled.
- Association of Energy Auditors in Housing and Communal Services, project titled “Support to Institutional Capacity of Ukrainian Cities in the Development and Implementation of Sustainable Energy Policies” - Selection of medium size cities for the development of SEAPs and energy management function development conducted; reference book (catalogue) on available funding sources and international projects supporting EE and clean energy projects in Ukraine developed; development of catalog of successful EE projects in small and medium Ukrainian cities started.

### **Advanced Donor Coordination**

MERP contributed the following to the Advanced Donor Coordination activities on clean energy and LEDS. The Project supported the operation of an e-based donor coordination platform and conducted a number of donor coordination meetings:

- In April, in the framework of the International Ecological Forum “Environment for Ukraine,” a round table called “Discussion on participation of Ukraine in the 2015 Global Climate Change Agreement with a Focus on Intended Nationally Determined Contributions (INDC) in Ukraine” took place. Over 30 leading specialists and experts, as well as representatives from MinEcology, MinRegion, SAEE, private business and NGOs attended the meeting.
- In May, MERP EC LEDS experts participated in the Round Table on Global Climate Change organized by the EBRD PETER project. Thirty people, representing the Ministry of Ecology, the Ministry of Economy, SAEE, industry professionals and donor projects, attended the event. Participants discussed needs to improve GOU climate change policy, establish the internal Emission Trading System, and update their LEDS infrastructure.
- In June, MERP experts participated in a donor coordination meeting on further steps of EPC implementation by ESCOs in public buildings in Ukraine. Representatives of USAID, EBRD, NEFCO, UNDP, EU delegation and Swiss Cooperation Agency participated at this meeting. Participants discussed the plan of actions needed for enforcement of the recently approved ESCO legal package.

- MERP management participated in a donor coordination meeting organized by the German Embassy. Twenty persons, representing the EU Delegation, WB, IFC, GIZ, NEFCO, KWF, USAID MERP, and Swiss Cooperation Agency, attended the event. First Deputy Chairman of SAEE Alexey Korchmit gave a presentation on GOU priorities and policy directions in the area of energy efficiency and renewable energy. Participants discussed how to deal with the lack of commitment for energy efficiency reforms within the government.

## B. DELIVERABLES

Seventh Quarter deliverables of the Municipal Energy Reform Project were provided to USAID on a CD and include the following items:

#	Activity	Month	Title of Report	Language
1	Activity 1	April	Draft Resolution of the Cabinet of Ministers of Ukraine On continuation till 2020 of State target economic program of energy efficiency and development of energy carriers production from renewable energy sources and alternative fuels for 2000-2015 and its adoption in the new redaction	English, Ukrainian
2	Activity 1	April	Task and measures on fulfilment of State target economic program of energy efficiency and development of energy carriers production from renewable energy sources and alternative fuels for 2016-2020	English, Ukrainian
3	Activity 1	April	Clarifications to the questions of the State Agency for Energy Efficiency and Energy Saving regarding state target program on energy efficiency	English, Ukrainian
4	Activity 1	April	Draft Resolution of the Cabinet of Ministers of Ukraine On amendments to the State target economic program of energy efficiency and development of energy carriers production from renewable energy sources and alternative fuels for 2000-2015	English, Ukrainian
5	Activity 1	April	Preliminary reference on methodology of calculation of the share from renewable sources in gross final consumption of energy used in the Member States of the European Union	English, Ukrainian
6	Activity 1	April	Reference on issues of adoption of design documentation for construction of objects build with attraction of budget funds, funds of state and communal enterprises, institutions and organizations and credits under state guaranties	English, Ukrainian
7	Activity 1	April	Proposals on improvement of the draft Law of Ukraine In state regulation in energy sector	English, Ukrainian
8	Activity 1	April	Reference on issues of legislative regulation of commercial accounting in field of heat supply, centralized water supply and sanitation, provision of communal services	Ukrainian
9	Activity 1	April	Law "On amendments to some laws of Ukraine to ensure competitive conditions of alternative energy sources"	Ukrainian
10	Activity 1	April	Draft Law "On energy efficiency in buildings"	Ukrainian

11	Activity 1	April	Draft regulations on ESCO-EPC	Ukrainian
12	Activity 1	April	Analytical note on changes of HOA statute	Ukrainian
13	Activity 1	April	Information on the draft Law of Ukraine “On amendments to the Tax Code of Ukraine” (concerning taxation of non-profit organizations)	Ukrainian
14	Activity 1	April	Report “Recommendations on Key Performance Indicators for Water and Wastewater Sector Companies in Ukraine”	Ukrainian
15	Activity 1	April	Report “Service Quality Monitoring Methodology for District Heating, Cold and Hot Water Supply, and Wastewater Services”	Ukrainian
16	Activity 1	April	Report “Methodology for Service Affordability Assessment and Forecasting”	Ukrainian
17	Activity 1	May	Proposals on amendments to Procedure of development, approval and adoption of investment programs	Ukrainian
18	Activity 1	May	Information on the Draft Law of Ukraine “On Commercial Metering in the Spheres of Heat Supply, District Water Supply and Sanitation, and Providing Communal Services” Developed by the State Energy Efficiency Agency of Ukraine in Cooperation with the RPR	English
19	Activity 1	May	Comments to the Draft Law of Ukraine “On Energy Efficiency of Buildings” in the context of the comments of the experts of the Energy Community Secretariat on the compliance with the Directive of the European Parliament and of the Council 2010/31EC “On Energy Performance of Buildings” as of 18.05.2015	Ukrainian
20	Activity 1	May	Performance Plan on Energy Management	Ukrainian
21	Activity 1	May	Information on partial compensation on energy efficient loans, example Lutsk	Ukrainian
22	Activity 1	May	Report of training seminars for the local social authorities of Ukraine during April 16 - May 12, 2015	Ukrainian
23	Activity 1	June	Information on public involvement in verifying the validity of tariffs for energy and utilities	Ukrainian
24	Activity 1	June	Comparison Table to the Draft Law of Ukraine “On Energy Efficiency of Buildings” in the context of the comments of the experts of the Energy Community Secretariat on the compliance with the Directive of the European Parliament and of the Council 2010/31EC “On Energy Performance of Buildings” as of 29.05.2015	Ukrainian

25	Activity 1	June	Memorandum on Draft Laws of Ukraine “On National and Communal Services Regulatory Commission” (registration # 2966 of 05.28.2015, 2966-1 of 05.29.2015, 2966-2 of 06.02.2015)	English, Ukrainian
26	Activity 1	June	Analysis of the availability of statistical information provided in accordance with the laws of Ukraine for the purpose of calculation of the share of renewable sources using the SHARES tool	English, Ukrainian
27	Activity 1	June	Presentation "The need for improvement of the development, coordination and approval of investment programs in the heat supply"	English, Ukrainian
28	Activity 1	June	Law On Introduction of New Investment Opportunities, Guaranteeing Rights and Lawful Interests of the Subjects of Entrepreneurial Activities for Conducting Large-Scale Energy Modernization	English
29	Activity 1	June	Law On Introduction of Amendments to the Budget Code of Ukraine for Introduction of New Investment Opportunities, Guaranteeing Rights and Lawful Interests of the Subjects of Entrepreneurial Activities for Conducting Large-Scale Energy Modernization	English
30	Activity 1	June	Information on DSTU Energy Audit in Buildings	Ukrainian
31	Activity 1	June	Regulations concerning the development and adoption of the law "On peculiarities of ownership in an apartment building" (№1565)	Ukrainian
32	Activity 1	June	Report “Recommendations on improvement of social housing norms and standards for consumption of housing and communal services”	Ukrainian
33	Activity 1	June	Information on the workshops for the representatives of the NERC	Ukrainian
34	Activity 1	June	Report on the seminar in Kamyanyets-Podilskyi, June 2015	Ukrainian
35	Activity 2	April	Manual on Clean Energy	Ukrainian
36	Activity 2	April	Pre-feasibility study "Improved public electric transport system in Chernihiv"	Ukrainian
37	Activity 2	April	SEAP approved, Kramatorsk	Ukrainian
38	Activity 2	April	Report on energy audits with recommendations on energy efficiency, renewable energy and investment projects for SEAP city Pavlohrad	Ukrainian
39	Activity 2	April	Monitoring memorandum on the use of Development Credit Authority Loan Guarantee by Bank Lviv	Ukrainian

40	Activity 2	April	Report on workshop "Preparation of project proposals for clean energy and determination of the sources of their funding as the key to successful implementation of the SEAP", Kamyanets-Podilskyi	Ukrainian
41	Activity 2	April	The report on the first workshop for HOA resource centers staff on clean energy "Implementation of energy efficiency measures", Dnipropetrovsk	Ukrainian
42	Activity 2	May	Implementation of energy management system in public sector in Kyiv	Ukrainian
43	Activity 2	May	The report on the third workshop for HOA resource centers staff on clean energy "Conducting thermo-building: providing information to residents and condominium managers" (14-15 May 2015, Kamyanets-Podilskyi)	Ukrainian
44	Activity 2	June	Report on energy audits with recommendations on energy efficiency, renewable energy and investment projects for the SEAP city of Rivne	Ukrainian
45	Activity 2	June	Report on energy audits with recommendations on energy efficiency, renewable energy and investment projects for SEAP city Khmelnytskyi	Ukrainian
46	Activity 2	June	Methodological Recommendations on Public Hearings on Sustainable Energy Action Plans	Ukrainian
47	Activity 2	June	Brochure on Energy Efficiency	Ukrainian
48	Activity 2	June	Brochure on Alternative Energy	Ukrainian
49	Activity 2	June	Report on the creation of an Internet platform "Resource centers of HOAs in Ukraine" in social network Facebook (in partnership with a specialized social network for condominiums and associations ProOSBB.info and information resource on energy efficiency in the residential sector in Ukraine WARM HOUSE)	Ukrainian
50	Activity 2	June	Report on the second training session on the development and implementation of action plans for sustainable energy development" for Lutsk and Khmelnytskyi, June 3-4	Ukrainian
51	Activity 2	June	Draft SEAP, Rivne	Ukrainian
52	Activity 2	June	Draft SEAP, Ternopil	Ukrainian
53	Activity 2	June	Draft SEAP, Pavlohrad	Ukrainian
54	Activity 2	June	Materials on Informational campaign	Ukrainian
55	Activity 2	June	Report "Thermal insulation in budget institutions of City of Kyiv"	Ukrainian



56	Activity 2	June	Pre-feasibility study for the project "Creating energy sector at the municipal wastewater treatment plants for district heating in Vinnystya".	Ukrainian
57	Activity 2	June	Development of energy management system in Ivano-Frankivsk	Ukrainian
58	Activity 2	June	Development of energy management system in Zaporizhzhia	Ukrainian
59	Activity 2	June	Monitoring memorandum on the use of Development Credit Authority Loan Guarantee by Bank LVIV for the period April – June 2015	Ukrainian
60	Activity 2	June	Report on a joint with Bank "Lviv" seminar for condominiums, condominium associations, representatives of local governments on implementation of energy efficiency measures in apartment buildings: technical and financial aspects, Ivano-Frankivsk	Ukrainian
61	Activity 2	June	Report on the awarding ceremony for the best journalistic material published on energy efficiency, renewable resources and clean energy, benefits in condominiums, tariff reform and social protection	Ukrainian
62	Activity 2	June	Report on the seminar "Organization and holding public hearings to discuss issues of cities' energy development"	Ukrainian
63	Activity 3	April	Report on workshop (30-31 March) "Raising awareness of the municipalities in the area of natural gas replacement by biomass "	Ukrainian
64	Activity 3	April	Information on Municipal Investment Forum	Ukrainian
65	Activity 3	May	Assessment of biomass potential in Vinnytsya region	Ukrainian
66	Activity 3	May	Assessment of biomass potential in Kherson region	Ukrainian
67	Activity 3	May	Advisor for local governments: What you should know when order energy audit.	Ukrainian
68	Activity 3	May	Manual "Preparation and implementation of natural gas substitution by biomass in the production of thermal energy in Ukraine"	Ukrainian
69	Activity 3	May	Policy Brief "Energy services market in Europe and in the world"	Ukrainian
70	Activity 3	June	Information on Sustainable Energy Days in Ivano-Frankivsk, Lviv, Zaporizhzhia, Chernihiv, Kamyanyets-Podilskyi	Ukrainian
71	Activity 3	June	Draft concept of building independently certification of specialists in energy management	Ukrainian

72	Activity 3	June	Catalog of loan, grant programs and programs of technical help in the field of energy efficiency	Ukrainian
73	Activity 3	June	Agreement on partnership with Drohobych and Burshtyn on the development and realization of a sustainable energy development policy	Ukrainian
74	Activity 3	June	Information on sustainable energy week in Vinnystya	Ukrainian
75	Activity 4	April	Report “Best practices of LEDS implementation”	Ukrainian
76	Activity 4	April	Report “Development of the detailed (expanded) baseline scenario for dynamics of greenhouse gas emissions in Ukraine through 2050”	Ukrainian
77	Activity 4	May	Best available technologies for the heat energy production systems	Ukrainian
78	Activity 4	May	Review of potential internal sources for project financing in Ukraine	Ukrainian
79	Activity 4	May	Project proposals on elements of the legislative framework for the introduction of MRV in Ukraine	Ukrainian
80	Activity 4	June	Agenda on Training Seminar “Enhancing Capacity for Low Emission Development Strategies: Planning, Analysis, and Implementation Process (LEDS Action Plan Process)”	English, Ukrainian
81	Activity 4	June	Materials on Training Seminar “Enhancing Capacity for Low Emission Development Strategies: Planning, Analysis, and Implementation Process (LEDS Action Plan Process)” Module 1 – LEDS Action Plan Overview	English, Ukrainian
82	Activity 4	June	Materials on Training Seminar “Enhancing Capacity for Low Emission Development Strategies: Planning, Analysis, and Implementation Process (LEDS Action Plan Process)” Module 2 – LEDS Action Planning Startup- Preparation and Organization	English, Ukrainian
83	Activity 4	June	Materials on Training Seminar “Enhancing Capacity for Low Emission Development Strategies: Planning, Analysis, and Implementation Process (LEDS Action Plan Process)” Module 3 – LEDS Action Planning Startup – Preliminary Assessment	English, Ukrainian
84	Activity 4	June	Materials on Training Seminar “Enhancing Capacity for Low Emission Development Strategies: Planning, Analysis, and Implementation Process (LEDS Action Plan Process)” Module 4 – LEDS Policy Options Selection & Design	English, Ukrainian
85	Activity 4	June	Materials on Training Seminar “Enhancing Capacity for Low Emission Development Strategies: Planning, Analysis, and Implementation Process (LEDS Action Plan Process)” Module 5 – Impact Analysis of LEDS Policy Options	English, Ukrainian

86	Activity 4	June	Materials on Training Seminar “Enhancing Capacity for Low Emission Development Strategies: Planning, Analysis, and Implementation Process (LEDS Action Plan Process)” Module 6 – LEDS Plan Final Report, Transmittal and Implementation	English, Ukrainian
87	Activity 4	June	Minutes on development INDC of Ukraine with the participation of interested central government bodies	Ukraine
88	Activity 4	June	Presentations of INDC of Ukraine	Ukraine
89	Activity 4	June	Presentation “Analysis of LED strategies using the model TIMES-Ukraine”	Ukraine

# C. DETAILED DESCRIPTION OF PROGRESS/ACCOMPLISHMENTS DURING THE REPORTING PERIOD

## C.1 PROJECT TEAM

During the reporting period, the Municipal Energy Reform Project assisted the key project stakeholders:

- Ministry of Regional Development, Construction, Housing & Communal Services (MinRegion)
- Verkhovna Rada committees
- State Agency for Energy Efficiency
- Ministry of Social Policy
- National Energy and Communal Services Regulatory Commission,
- Partner cities

During the reporting period, MERP received a contract modification to conduct a comprehensive public information campaign in the following areas:

- Public messaging and education on the social safety net, including developing and disseminating information on subsidies (availability, eligibility criteria, application process), and building public understanding of new social safety net programs designed to help vulnerable segments of the populace;
- National public awareness activities to support energy reforms and to promote energy efficiency, energy conservation and renewable energy.

As per the contract modification, MERP will also expand its coordination of anti-corruption efforts in the municipal energy sector.

## C.2 COMPLIANCE REPORT: ENVIRONMENTAL, GENDER, INCLUSIVE DEVELOPMENT

MERP is taking steps to conform to USAID environmental regulations, namely 22 Code of Federal Regulations (CFR) Part 216. The Project incorporated environmental impact mitigation measures as a standard component of its program management. The Project assessed and developed a plan to meet USAID and Ukrainian environmental requirements through mitigating and monitoring environmental risks. The Project does not foresee any significant adverse environmental impacts from Project Activities. This is confirmed by the Initial Environmental Examination (IEE) recommendation of “categorical exclusion” for most Project tasks and Activities. “Negative determination with conditions” was defined for Project Tasks 1.2, 1.6, 2.2, 2.4, and 2.5. The Project assessed the possible environmental risks for these tasks and started implementing measures recommended by the IEE (4.3.1-4.3.4). The Project submitted to USAID the MERP Environmental Compliance Report, based on TO Contract ANNEX 1 – Initial Environmental Examination. The Report includes the following items: Environmental Legislation Requirements, Environmental Determination, Mitigation Measures Plan, and Monitoring Plan.

It is anticipated that many project activities will not have any effect on the environment and human health in Ukraine. While some project activities may have some effect, in most cases, this environmental/health effect is deemed to be positive – as increased energy efficiency and use of CE will lead to reduced energy consumption and GHG emissions.

The preliminary environmental assessment of Project activities enabled the Project to define potential environmental impacts and recommended environmental determination as:

- a) Categorical Exclusion: The activity is not likely to have an effect on the natural or physical environment. No further environmental review is required;
- b) Negative Determination with Conditions: The activity does not have potentially significant adverse environmental, health, or safety effects, but may contribute to minor impacts that can be eliminated or adequately minimized by appropriate mitigation measures.

### Project activities

Activity 1. “Improve Regulatory and Legislative Enabling Environments for Energy Efficiency and Clean Energy.” All the activities (see list of deliverables) conducted within this Activity during the reporting period were assessed against IEE and Project Monitoring plan. It was determined that all activities meet the definition of a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv), neither an initial environmental examination nor an environmental assessment is required. However, it is recommended to ensure that the preventive principle aiming to prevent the depletion of natural resources and deterioration of environmental components (air, water, land, plant and animal life) is mainstreamed into the draft laws and regulations that may be developed based on Component 1 activities.

Activity 2. “Promote Energy Planning, and Investments in Clean Energy and Energy Saving Technologies and Applications.” By the end of reporting period within the second MERP component one Sustainable Energy Action Plan (SEAP) had been approved by a city administration. Three draft SEAPs had been developed. The SEAPs fall under the category of negative determination with conditions. No adverse environmental impact is likely, however, as according to 4.3.5 of IEE it is recommended to advise the assisted municipalities to integrate environmental and/or health considerations into the project/plans since they may have a local negative effect on the environment. According to the Project’s Mitigation Measures Plan (MMP), SEAP projects involving the construction of new energy supply/heating facilities or upgrade of existing facilities should undergo the national environmental assessment process including the preparation of EIA in line with DBN A.2.2-1-2003.

“Reports on energy audits with recommendations on energy efficiency, renewable energy and investment projects for SEAP city Pavlohrad, city Khmelnytskyi and city Rivne” fall under the negative determination with conditions. No adverse environmental impact is likely, however, as according to 4.3.5 of IEE it will be

recommended to the assisted municipality to integrate environmental and/or health considerations into the project/plans since they may have a local negative effect on the environment. Project funding applications should include a bankable environmental assessment prepared in line with the requirements of a lending agency (World Bank, EBRD, USAID, etc.). If a project is likely to have significant environmental or health impacts, the Mitigation and Monitoring Plan should be prepared.

The pre-feasibility study for the project "Improved public electric transport system in Chernihiv" and the pre-feasibility study for the project "Creating an energy sector at the municipal wastewater treatment plants for district heating in Vinnystya" fall in the category of negative determination with conditions. No adverse environmental impact is likely, however, as according to 4.3.5 of IEE it will be recommended to the assisted municipal utility to integrate environmental and/or health considerations into the project/plans since they may have a local negative effect on the environment. Consider potential environmental impacts of the clean energy projects in the technical and economic feasibility studies. The projects involving the construction of new energy supply facilities or upgrade of existing facilities should undergo the national environmental assessment process including the preparation of EIA in line with DBN A.2.2-1-2003. Project funding applications should include a bankable environmental assessment prepared in line with the requirements of a lending agency (World Bank, EBRD, USAID, etc.). The monitoring of the GHG emission reductions achieved by the project should meet the requirements of the relevant CMU and MENR Regulations.

The projects "Development of energy management system in Zaporizhzhya and Ivano-Frankivsk" fall in the category of negative determination with conditions. No adverse environmental impact is likely, however, as according to 4.3.5 of IEE it will be recommended to the assisted municipality to ensure the provision of the proper quality services to residential customers (timely delivery of services, non-deteriorated environmental conditions) as a result of the implementation.

The rest of the activities (see list of deliverables) conducted under Component 2 during the reporting period were assessed against IEE and Project Monitoring plan. It was determined that all of these activities meet the definition of a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv), neither an initial environmental examination nor an environmental assessment is required.

Activity 3. "Capacity Building for Government and Non-Governmental Organizations with Respect to Energy Efficiency, and Emission Reduction." All of the activities (see list of deliverables) conducted within Activity 3 during the reporting period were assessed against IEE and Project Monitoring plan. It was determined that all activities meet the definition of a categorical exclusion and per 22 CFR 216.2 (c) (2) (i), (iii), (v) and (xiv), neither an initial environmental examination nor an environmental assessment is required. It is recommended to introduce NGO representatives to the key environmental requirements of the energy efficiency and cleaner energy projects as part of the NGO's training program.

Activity 4. "Enhance Capacity for the Government of Ukraine (GOU) in Development and Introduction of Low Emission Development Strategies." All of the activities conducted within Activity 4 during the reporting period (see list of deliverables) were assessed against IEE and the Project Monitoring plan. It was determined that all activities except one meet the definition of a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv). Neither an initial environmental examination nor an environmental assessment is required. However, it is recommended to ensure that the principle of aiming to prevent the depletion of natural resources and the deterioration of environmental components (air, water, land, plant and animal life) is mainstreamed into the draft laws and regulations that may be developed based on Component 4 activities.

The conclusions of the report are that USAID MERP is in compliance with Ukrainian and Contract requirements on all implemented activities, and the Mitigation Measures Plan and Monitoring Plan are up to date and compliant with all requirements. The Project regularly monitors its activities for compliance with environmental regulations.

## **Gender**

As per contract requirement, the Municipal Energy Reform Project ensures that men and women are equally supported through Project activities and that gender awareness and gender dynamics are taken into consideration. Gender issues crosscut all Project activities. Strengthening women's roles in the design, implementation, management, and use of sustainable energy solutions is critical for reaching development

goals. During the reporting period women were actively involved in Project activities on both the national and local levels: 785 persons took part in MERP events, 591 women (75.3%) and 194 men (24.7%).

**Under Activity 1**, improving clean energy regulatory and legislative enabling the creation of an environment for clean energy potential at the national level, MERP conducts working groups with the Ministry of Regional Development, Construction, Housing and Communal Services, National Energy and Communal Services Regulatory Commission, State Agency of Energy Efficiency, Ministry of Social Policy, and other entities. Women take active roles in developing energy efficient legislation, policies and standards. During the reporting period, the Project participated in 7 GOU working group meetings (53 working groups during the project life). Women and men had equal participation at these events. All draft legislation, policies and standards developed with Project assistance have equal impacts on men and women.

**Under Activity 2**, at the local level, Municipal Energy Reform Project assists cities in developing sustainable energy action plans and establishing municipal energy management systems. The Project conducts training seminars, round tables, and conferences on these topics. Women actively participate in these events and in capacity building seminars. As of July 2015, the percentage of women participants in all events, not including social protection seminars for vulnerable groups, is 52 % (549 of 1055 total participants) versus 48% males (506 of 1055 total participants). As stakeholders, decision makers, and in many cases as heads of households, women in Ukraine play critical roles in raising energy consumption awareness and improving energy efficient behavior. During the reporting period, 253 persons took part in the seminars and workshops. Among them 145 were women (57.3%) and 108 men (42.7%).

Protection of vulnerable groups of people and low-income consumers of communal services is one of the major targets of the Municipal Energy Reform Project. The Project assisted the GOU in improving the legal basis for social protection in the face of increasing prices and tariffs for housing and communal services. The Project helped the Ministry of Labor and Social Policy in training for implementation and enforcement of these new social protection procedures. This work is especially critical because it supports the social protection of really needy persons such as women, children, single mothers, elderly people and invalids. Total audience in these social seminars is as follows: women 1071 (88.1%), men 144 (11.9%). During the reporting period 467 persons took part in these seminars and workshops, 47 men (10.1%) and 420 women (89.9%).

**Under Activity 3**, MERP provided capacity building to local NGOs to support the sustainability of USAID efforts in municipal energy reforms. MERP conducted training of local specialists and capacity building of local organizations to ensure sustainability of results, and dissemination of the Project's accomplishments on both the municipal and national levels. This will enable the establishment of a more conducive environment for implementing market reforms of clean energy activities on a sustainable basis. In addition, capacity building activities are needed to introduce standardized professional services such as energy audit procedures and the certification of auditors. With Project support, local NGOs learned new practices and methodologies, and would be able to assume ownership of both activities and the results of implementing the new projects and technologies. During the reporting period, MERP didn't conduct any seminars or trainings for local NGOs.

**Under Activity 4**, MERP supported GOU efforts in EC LEDS. According to a variety surveys, women tend to be more concerned about climate change and would prefer more ambitious efforts to reduce GHG emissions than men. Women are more willing than men to change their behavior in order to save energy and purchase low-carbon emitting products; however, they often know less about their own energy consumption and they reject measures that would burden them with extra work. Women and men have different preferences in terms of technologies to reduce GHGs – a majority of women reject risky technologies such as nuclear power and carbon capture and storage. A majority of women prefer to rely on lifestyle changes rather than on technological progress only. During the project life, MERP held several seminars and round tables on these subjects. The percentage of women participants was 31.6% (97 of 307 total participants) versus 68.4% men (210 of 307 participants). During the reporting period, MERP conducted one training seminar on LEDS Action Plan Process with the following participation: 29 (55%) men and 24 (45%) women. Also, during the reporting period MERP organized two Study Tours, to Brussels and to Budapest. In total 12 persons took part in these tours, 10 men (83.3%) and 2 women (16.7%).

MERP will continue to foster women's participation in Ukraine's municipal energy sector by holding workshops to educate policymakers and civil society on the importance of gender equality and integration.

### Inclusive Development

MERP activities lead to a more energy efficient and less polluting municipal energy sector, including reliable heating and water services delivery for municipal populace including men, women, children, the elderly and vulnerable groups alike. Every dimension of human diversity has the potential to influence people's needs, experiences, opportunities, and rights. Therefore, the Project considers vulnerable people's needs prior to any significant interventions planned during Project implementation. The Project's significant interventions include assistance in developing policies and monitoring policy implementation, drafting laws and regulations, establishing industry standards and product access rights, and designing and providing training programs. The Project works with a broad category of people, assuring inclusive development for all population groups. The Project provides possibilities and creates opportunities for everyone to take part in various seminars, workshops, round tables, etc., regardless of age, sex, ethnic origin, health status, family structure, sexual orientation, education, employment, income, housing, food security, safety, or any other dimensions of human diversity. On an annual basis, through its civil society partners and NGOs, the Project will conduct a survey on the impact and involvement in municipal energy reforms of all groups of the population regardless of these and other factors. This will support and measure the Project's efforts at ensuring inclusive development in all Project activities.

## C.3 DETAILED ASSESSMENT AND ANALYSIS OF PROGRESS MADE ON EACH OF THE TASKS AND MILESTONES

**TABLE OF MILESTONES FOR MERP WORK PLAN YEAR 2 (as per contract modification #3)**

Color key: **M X.X** – completed; **M X.X** – under completion

30 Nov 2014	<b>M 2.1.1</b>	Second group cities agreed with donors and approved by USAID
30 Dec 2014	<b>M 2.3.1</b>	Local capacity built on Municipal Energy Management
	<b>M 3.1.1</b>	Grants awarded to local NGOs
	<b>M 3.1.2</b>	Comprehensive training provided according to Capacity Building Plans
	<b>M 4.1.1</b>	6th National Climate Change Communication Report
30 Jan 2015	<b>M 1.2.1.1</b>	Annual Work Plan developed and agreed with NECSRC
28 Feb 2015	<b>M 2.2.1</b>	SEAPs of the first group of cities approved by city authorities, submitted to EU
30 Mar 2015	<b>M 1.2.1.2</b>	Capacity Building Plan developed and agreed with NECSRC
30 Apr 2015	<b>M 1.4.2</b>	Standard on Energy Audits in Buildings approved
	<b>M 2.6.2</b>	Key PSAs on municipal EE and RE developed
30 May 2015	<b>M 1.5.1</b>	Public Communication, Messaging and Outreach Concept and an action plan approved by USAID
	<b>M 2.2.4</b>	SEAP data collected
30 Jun 2015	<b>M 1.5.2</b>	Public information materials and PSAs on EE/CE and social safety nets developed
	<b>M 2.3.2</b>	Energy Management Systems established in partner cities
30 Jul 2015	M 1.2.3.1	Improved investment methodology
	M 1.2.4.1	Utilities trained to properly implement accounting rules
	M 2.2.3	Institutional basis and capacity built for SEAPs in second group of cities
	M 4.1.4	LEDS analytical tools applied by two GOU agencies
	M 4.1.3	TNA Report and TNA Brief Manual.
30 Aug 2015	M 1.1.1	Implementation started of GOU National Action Plans on EE and RE



	M 1.1.2	Improved donor coordination to support key legal and regulatory changes in municipal energy sector
	M 1.1.3	Key municipal EE and RE legislation developed and approved by the Rada
	M 1.2.4.3	New regulatory benchmarking system developed
	M 2.6.1	PR coordination established and operational
	M 3.1.3	NGO certification of eligibility conducted
	M 4.2.2	Road Map on Implementation of Clean Energy Projects.
	M 1.2.3.3	Basis for RAB incentive tariff regulation established
30 Sep 2015	M 1.2.2.3	Capacity of NECSRC improved
	M 1.2.3.2	Quality of Services enacted by NECSRC
	M 1.2.3.4	Tariff affordability assessed
	M 1.2.4.2	New regulatory reporting taught to utilities
	M 1.3.1	Coordination with WB, GOU and other donors on social protection is functioning
	M 1.3.2	New system of social subsidies to low-income consumers operational
	M 1.3.3	Transparency of social subsidies to low-income consumers improved
	M 1.4.1	Enforcement supported for Energy Management Standard
	M 1.4.3	Two new energy standards developed
	M 1.5.3	Public messaging and education on social safety net conducted
	M 1.5.4	National public awareness campaign to promote energy efficiency, energy conservation and renewable energy, implemented
	M 2.2.2	Investment proposals developed to attract IFIs financing in the first group of cities
	M 2.2.5	SEAPs prepared and discussed with local communities
	M 2.2.6	Preparation of bankable projects started for second group of cities
	M 2.4.1	DCA with Bank Lviv is functioning well
	M 2.4.2	New DCA on energy efficiency and renewable energy started
	M 2.6.3	Public events organized to support SEAPs and investments in municipal EE and RE
	M 3.1.4	NGO Capacity Building Report developed
	M 3.1.5	Local anti-corruption coalitions established
	M 3.1.6	Improved transparency and disclosure supported
	M 4.1.2	EC LEDS coordination, capacity and planning improved
	M 4.1.5	Draft KPIs developed for LEDS implementation
	M 4.2.1	Interagency Commission on UNFCCC Provisions Implementation activity enhanced
	M 4.3.1	LEDS Database prepared

## ACTIVITY 1: IMPROVE CLEAN ENERGY REGULATORY AND LEGISLATIVE ENABLING ENVIRONMENT

### TASK 1.1: DEVELOPING ENABLING LEGISLATIVE AND POLICY ENVIRONMENT

During the reporting period, **MERP supported GOU** working groups (MinRegion, SAEE, NECSRC, and Ministry of Social Policy) on developing clean energy policies, legislation and regulations. The assistance is based on EU Energy Community requirements and best international practices. The Project participated in

Working Group meetings and provided analyses and recommendations to a variety of draft legislations and regulations. As the results of this assistance, a number of key energy reform legislations were approved.

In particular, in April the Ukrainian parliament approved two laws: № 1313 "On Energy Services Companies" (ESCOs) and № 1409 "On Energy Performance Contracts" (EPCs).

Law № 1313 calls for identifying the notion of an energy performance contract and sets its key terms. It regulates relations between the client and the provider of energy services and identifies the mechanism for setting the cost of services under an energy performance contract. The law establishes guarantees for investors who deal with energy modernization, with respect to remuneration for savings achieved under an energy performance contract. It identifies a transparent mechanism for selection of winners of energy services tenders, and approves an exclusively monetary form of payment for energy services.

Law № 1409 calls for identifying a new term titled "Long-term liabilities for energy services" in the Budget Code. This law entitles administrators of state budget funds, who are the holders of public buildings, to issue long term contracts (longer than one year) with ESCOs and to guarantee payment to ESCOs for the remuneration of savings achieved under an energy performance contract. The Project contributed to the development and approval of the ESCO laws. GOU estimates of the positive effects from the introduction of energy performance contracts include:

- Creation and development of a new market with an expected volume of UAH 200 billion (~\$10 billion) and creation of a new jobs;
- Potential energy savings through energy efficiency projects in buildings of up to 0.8 billion cubic meters of natural gas and other energy resources, or UAH 6.5 billion (~\$300 million) of annual budget expenditure;
- Increase in comfort in schools, kindergartens and hospitals;
- Extension of the economic life of buildings by 15-25 years.

In April, the Cabinet of Ministers approved the Resolution on State Support of EE Measures in HOA (homeowners association) Buildings. The State budget will compensate up to 40% of the cost of EE materials and equipment as part of the loans for EE renovations in multi-apartment buildings. The loans will be provided by three commercial, state owned banks: Oschadbank, Ukrgasbank, and Ukreximbank. The Project contributed to the development of this resolution supporting end use residential energy efficiency. However, the Project recommended expanding this mechanism to other commercial banks as well and not only to state owned banks. In particular, banks that are willing to provide EE lending to HOAs, e.g., Bank Lviv, need this mechanism. The Project recommendation was not supported by the Ministry of Finance.

In May, the Ukrainian parliament adopted Law № 1565, "on Specificities of the Right of Ownership in Apartment Buildings." The bill was based on USAID and IFC wording. MERP experts supported its further consideration by the Parliament. The Law defines the specifics of ownership in an apartment building, and it regulates the legal, organizational and economic relations connected to the rights and duties of homeowners for building maintenance and management. The Law establishes the rights and obligations of condominiums, their responsibility, forms of governance in multi-apartment buildings, and decision making regarding residential building management by homeowners. Finally, the Law defines the powers of a condominium head to manage an apartment building.

The Project started preparation of sublaws needed for enforcement of Law #1565. The Project submitted to MinRegion the revised Model Charter of a Home Owner Association (HOAs) and an analytical note explaining the proposed changes. The Model Charter was reviewed for consistency with current legislation, i.e., the Civil Code of Ukraine, Economic Code of Ukraine, Law of Ukraine "On Housing and Communal Services," several changes to the Law of Ukraine "On Homeowners Associations," and MinRegion Order #180 regarding the status of HOAs as a legal entity. MERP will continue to provide its support to improve the legal and regulatory environment for HOAs to promote residential energy efficiency.

The Project participated in a working meeting with MinRegion to discuss priorities including the sub-laws and regulations needed for enforcement of the recently approved Law #417-VIII, "On the Specifics of the Right of Ownership in a Multi-Family Residential Building" (draft law reg. #1565), signed by President Poroshenko on June 8, 2015. Mr Sergiy Kushnir, Director of Housing and Communal Services Department, and Mr Konstantin Marievych, Head of Legal Department, were at the meeting. The participants agreed on a list of priority sub-laws to be developed with Project assistance, i.e., a new version of the Model Statute of HOAs. The Project will prepare the Model Statute of HOAs by the end of July 2015.

In June 2015, the Ukrainian parliament adopted bill № 2010-D, “on Amendments to Some Laws of Ukraine to Ensure Competitive Conditions of Electricity from Alternative Energy Sources,” amending feed-in tariffs in Ukraine. Project NGO grantee “Renewable Energy Agency” helped develop the law. The law calls for:

- Achieving proximity to the world average level of “green” tariffs for electricity generated using alternative sources of energy.
- Cancellation of benefits for joining power facilities that produce electricity from alternative sources.
- Abolition of requirements for local content, contrary to the requirements of international treaties ratified by Ukraine.
- Supplementing the “green” tariff as remuneration for using Ukrainian-made components in the design and construction of energy facilities based on alternative energy sources.
- Solving the problem of the excessive stimulation of the production of electricity from solar energy and lack of stimulation of bioenergy and geothermal energy.
- Encouraging private households to introduce renewable energy technologies for the production of electricity not only from solar, but also from wind.

**MERP provided assistance to and cooperated with a variety of Verkhovna Rada Committees** to support the approval of key legislations related to municipal energy reforms. Project management met with Ms. Nataliya Katser-Buchkovska, National Deputy and Head of the Verkhovna Rada Energy Committee’s Sub-Committee on Sustainable Development and Investments to discuss the progress of legal reforms in the municipal energy sector. The Project provided information on its support to the GOU and VR committees in amending legislation and adopting EU Energy Directives in Ukraine. The Project also informed Deputy Katser-Buchkovska about the pressing need to approve the National Action Plan on Energy Efficiency and key bills on energy efficiency, such as the Law on Energy Efficiency in Buildings, Metering Law, Law on Independent Energy and Communal Services Regulation.

To support legal and regulatory changes, **MERP participated in a number of national conferences and round tables** organized by the Verkhovna Rada and GOU counterparts.

- The Project participated in a roundtable discussion on the Draft Law Energy Efficiency in Buildings organized by the VR Committee on Regional Development and the EU Energy Community Secretariat. National Deputy Olexander Dombrovskiy chaired the event and described to the participants progress on energy efficiency policies and legislation. SAEF Chairman Sergei Savchuk presented the latest updates on the bill on Energy Efficiency in Buildings developed with Project assistance. Experts from the EU Energy Community and EU Delegation provided comments and suggestions on improving the current version of the bill that was scrutinized by the GOU experts from the Ministry of Justice and the Ministry of Finance. The Project will continue supporting SAEF in finalizing the bill and submitting it to the final approval by the VR.
- USAID COR Nesterenko and MERP DCOP participated in the roundtables on Energy Efficiency policies and legislations organized by the Verkhovna Rada and EU Delegation. About 20 persons, representing Rada Committees, GOU, international donors and projects, and industry experts, participated in the event. National Deputies Ryabchin, Babak, and Katser-Buchkovska facilitated the discussion on important legal and policy topics such as metering, energy efficiency in buildings, independent tariff regulations, social protection of low-income consumers, and public messaging. Participants discussed the progress and problems of energy efficiency reforms. SAEF Chairman Sergei Savchuk delivered a presentation on the GOU program supporting end use energy efficiency in buildings with HOAs. WB Program Manager Yadviga Semikolenova informed participants about WB energy efficiency loan facilities for the district heating and water sectors. Mr. Nesterenko described new Project activities aimed at reinforcing and expanding a national public information campaign on energy efficiency and social protection.
- The Project participated in several activities held as part of the Independent Heat-and-Power Engineering National Specialized Trade Show and Forum. During the opening session of the event, MERP COP Larry Good provided a brief overview of the Project. MERP DCOP Andriy Mitskan spoke at the Municipal Investment Forum, delivering the presentation “Sustainable Energy Action Plan: a Key Condition for Attracting Investments into Energy Efficient Projects.” During the three-day event, the Project also delivered presentations on energy efficiency in buildings and mechanisms

for financing energy efficiency measures in the housing sector. The trade show and forum were attended by numerous representatives of government authorities, international and national organizations, civil society, traders, scientists, and interested citizens.

## **TASK 1.2: ASSISTANCE TO THE NATIONAL ENERGY AND COMMUNAL SERVICES REGULATORY COMMISSION (NECSRC)**

### **Sub-task 1.2.1 Needs Assessment for Assistance to the National Energy and Communal Services Regulatory Commission (NECSRC)**

Based on the assessment of training needs of NECSRC, the Project developed a **Capacity Building Plan** and submitted it to the Regulator for review and approval. The National Energy and Communal Services Regulatory Commission (NECSRC) approved the capacity-building plan, including 10 Project-developed training seminars. The National Commission requested an additional seminar on incentive based regulation for the head office staff and representatives of MinRegion. During the reporting period, four training seminars were delivered for the National Commission:

- Specific features relative to the taxation of licensees operating in the heating sector and the impact of these features on tariff setting;
- Investment programs of licensees operating in the heating sector. Incentives for heating companies to increase energy efficiency of heat energy production, transportation, and supply;
- Incentive-based regulation in heat energy transportation and centralized water and sanitation;
- Assessment of quality of water and wastewater and heating services.

MERP organized a **Study Tour to Budapest** for representatives of NECSRC at the Energy Regulators Regional Association Annual Meeting. During the meeting, NECSRC became a new full member of ERRA. This international networking of the regulators will help NECSRC to learn best international practices of independent tariff regulation and will enable NECSRC staff to participate in ERRA committees such as tariffs, licensing, customers, water and projects. As a results of this assistance, **NECSRC became a full membet of ERRA**. ERRA membership will help the NECSRC:

- to improve national energy regulations
- to foster the development of stable energy regulators with autonomy and authority and to improve cooperation among energy regulators
- to increase communication and the exchange of information, research and experience among members; increase access to energy regulatory information and experience around the world; and promote opportunities for training

### **Sub-task 1.2.3 Improving Heat Tariff Setting**

MERP assisted NECSRC in an update of the following **tariff regulations**:

- Commission Decrees #276, #277, #278 "On licensing conditions for heat energy production, transportation and supply";
- GOU Decree #869 "On a common approach to setting tariffs for housing and communal services" and NERC Decree #898 "On approval of the Procedure for revision and setting tariffs for electric and heat energy produced at heat stations, thermal power stations, and nuclear power plants from nontraditional and renewable sources of energy" replacing decrees #896 and #897;
- GOU Decree #584 "On unbundling accounting of revenues and expenses for utilities dealing with heat energy production, transportation, and supply, and providing centralized water and wastewater services;"
- Other orders, resolutions, normative and legal acts on development, approval, and implementation of investment programs of utility companies.

MERP experts conducted a number of meetings with representatives of the National Regulatory Commission to discuss the **new investment methodology** recently developed with MERP assistance. MERP tariff experts from MDI organized a training seminar for the National Energy and Communal Services Regulatory Commission and municipal utilities on **investment programs** of licensees operating in the heating sector. About 70 participants from the heating utilities, MERP partner cities, and representatives of the National

Commission attended the event. Commission Board Member Mashlyakivsky opened the seminar and informed participants about priority needs for increasing the efficiency of heat production, transportation, and supply, including reduction of losses. MERP experts presented a new draft of an investment methodology and new approaches for preparation of utility investment programs.

MERP assisted NECSRC in the **gradual introduction of RAB incentive tariff regulation for heating and water utilities**. The draft of the Concept for the Gradual Introduction of RAB Incentive Based Tariff Regulation was prepared and presented for the National Commission at the specialized seminar on incentive based regulation. The Project organized and conducted a training seminar for NESCRC staff on **incentive based tariff methodology**. Forty participants (20 men, 20 women), representing the relevant departments of the National Commission, participated in the training event. The Project delivered a presentation on a concept for the gradual introduction of the Regulatory Asset Based (RAB) methodology for economically sound tariff regulation.

The reevaluation of utilities' assets is a precondition for the introduction of RAB incentive based tariffs. The Project held several meetings with Commissioner Mashlyakivsky to discuss approaches for developing the **Assets Valuation Methodology**, its terms and organization of work. The participants paid particular attention to the preparation of a letter to the State Property Fund of Ukraine regarding the establishment of the Working Group on Assets Valuation of Municipal Utilities. Asset valuation is the first step to introduction of the Regulatory Asset Base (RAB) incentive-based tariffs in the municipal sector. The Project prepared a list of the normative and legal acts that will be analyzed in preparing the report, "Analysis of Current Legislation of Ukraine on Assets Valuation." The list includes three blocks of legislation: 1) incentive based regulation and asset valuation, 2) asset valuation activities, and 3) three laws that require asset valuation for other purposes rather than for incentive based regulation. The list of normative and legal acts was presented to the NECSRC for discussion.

As per Project recommendations, the State Property Fund established a Working Group on Assets Valuation of Utilities (Order #820 of the State Property Fund of Ukraine dated June 5, 2015). On June 23, the first meeting of the Working Group was held to discuss preparation of changes in the Methodology for the valuation of the assets of natural monopolies utilities.

Follow-on meetings were conducted with NECSRC and representatives of the GIZ Project "Reform of Municipal Services in Eastern Ukraine". The GIZ Project was represented by Senior Advisor on Communal Sector Issues Wolfgang Heutzen and Project Expert Dimtro Tikunov. NECSRC Economic Analysis and Forecasting Section Head Tetiana Burenko chaired the meeting. The participants discussed potential cooperation for testing the draft Methodology of Assets Valuation and new forms of regulatory reporting developed by the Project in the cities of Dnipropetrovsk Oblast. Water utilities in these cities are recipients of GIZ assistance. A follow-on discussion was organized by the Dnipropetrovsk Oblast Council and GIZ local governance project. The subject of the seminar was important for the execution of the Project task on the asset valuation of municipal utilities in the context of the introduction of incentive based tariff regulation. The Project delivered presentations on 1) asset valuation methodology, and 2) incentive based tariff regulation for natural monopolies. Thirty people representing the National Regulatory Commission and regional water and wastewater utilities attended the seminar. GIZ experts presented the database of assets developed for Dnipropetrovsk Water and Wastewater utilities. Project and GIZ experts agreed to join efforts to update the database with the parameters needed for the asset valuation of municipal utilities.

The Project assisted NESCRC on the development of a **service quality monitoring methodology** to ensure national coverage with standardized approaches for data gathering and processing. The Project prepared and submitted to NESCRC the "Service Quality Monitoring Methodology for District Heating, Cold and Hot Water Supply, and Wastewater Services" report. The Project organized a training seminar titled, "Assessment of quality of water supply, heating, and wastewater services" for the NECSRC. The Project delivered the draft Methodology for monitoring the quality of communal services including water, wastewater, and heating services. A total of 16 participants (11 women, 5 men) representing the Strategy, Water, Heat and Legal Departments of NECSRC attended the seminar. The participants discussed best practices in monitoring and regulating the quality of electricity services and their possible replication in the communal services areas. As a result of the seminar, the participants agreed:

- to develop or improve normative and legal documents of the National Commission governing quality of services;

- to develop different approaches for monitoring the quality of services by licensees (centralized water and wastewater, thermal energy production, transportation, and supply) and the quality of services provided for the population (district heating, centralized supply of cold and hot water);
- differentiate the quality indicators to be monitored by the National Commission and by municipalities.

The Project conducted a training seminar for NECSRC on the taxation of licensees operating in the heating sector, including accounting and tax issues. Forty four participants representing the Department on Regulation of Relations in the Heating Sector, the Licensing Control Department, and the Strategic Development and Planning Department attended the seminar. Commissioner Mashlyakivsky chaired the event. The discussions with seminar participants proved the need for making changes to current normative and legal documents and for the development of new legal documents to solve the problems of taxing licensees operating in the heating sector.

MERP assisted NECSRC in developing a **system to assess and forecast communal services affordability for the populace**. The Project finalized the report, “Methodology for Service Affordability Assessment and Forecasting,” and submitted it to the National Commission for review and comments. The Project continues to assist the NECSRC on benchmarking. The Project prepared reporting forms #4, #5, #6 (for water utilities) and discussed these forms with the National Commission. As a result of the meeting, it was agreed to: (i) start testing the revised reporting forms in seven pilot water and wastewater utilities (Ternopil, Chernihiv, Dnipropetrovsk, Kriviy Rih, Kramatorsk, Khmelnytskyi, and Kyiv); (ii) hold an orientation meeting with utility companies; (iii) analyze comments and proposals from licensees, and finalize reporting forms.

#### **Sub-task 1.2.4 Developing Utility Benchmarking**

The Project continued to assist NECSRC on **improve regulatory reporting** needed for utility benchmarking purposes. Based on a Project recommendation, NECSRC issued order #107, “On approval of the creation of working groups to improve regulatory reporting forms.” NECSRC established two working groups, which would improve the regulatory forms of heating companies and water and wastewater companies respectively. The Project assisted the working groups in reviewing and updating a different reporting form at municipal utilities.

As a result of the working groups’ meetings, regulatory reporting forms #1, 2, 3, 7, 8, 10 (for heating utilities) and #4, 5, 6, 8, 9, 11, 12 (for water and wastewater utilities) were revised and improved and clarifications and guidelines regarding filling out the forms.

The revised regulatory reporting forms will be tested by 14 utilities during the June 25 – July 25 period. These will be six heating utilities and eight water and wastewater utilities in Vinnytsia, Rivne, Sumy, Ternopil, Kamyanyets-Podilskyi, Lviv, Chernihiv, Dnipropetrovsk, Kriviy Rih, Kramatorsk, Lutsk, Khmelnytskyi, and Kyiv. The Project and NECSRC organized an orientation meeting for the 14 pilot utilities participating in the exercise. The orientation meeting was attended by 53 participants (38 women, 15 men), including 10 representatives of heating utilities, 27 representative of pilot utilities, and 18 representatives of the National Commission. Participants discussed the draft reporting forms and recommended changes and updates.

The Project finalized the report, “Recommendations on **Key Performance Indicators** for Water and Wastewater Sector Companies in Ukraine.” The report has been sent to the National Energy and Communal Services Regulatory Commission for review and comments.

The Project assisted NECSRC in developing recommendations on initial data collection for benchmarking purposes. In June, the Project organized a workshop with NECSRC to discuss primary data collection for the introduction of a new benchmarking system for communal service utilities. Twelve people, representing the NECSRC Division for Water and Wastewater Sector Regulation, Economic Analysis Division, and Strategic Planning and Development Department, attended the meeting. Participants discussed (i) benchmarking periods, (ii) reporting forms to collect primary indicators, and (iii) approaches to the key performance indicators that focus on service quality.

#### **TASK 1.3: SUPPORTING IMPROVEMENT OF SOCIAL SAFETY NET FOR VULNERABLE POPULATION**

MERP continued supporting the Ministry of Social Policy on improving the social safety net for the vulnerable segments of the population. The Project assisted in building the Ministry of Social Policy’s capacity to enforce the new social subsidies procedure as per GOU Decree #106. Jointly with the World

Bank, the Project conducted 10 seminars in 7 oblasts (Dnipropetrovsk, Donetsk, Zaporizhzhya, Kherson, Vinnytsia, Khmelnytskyi, Rivne, and Volyn) on the new subsidy program for the social protection departments of the ministry's regional offices. The Project provided the participants with information on documents and sources of information to award a subsidy. Information was about key elements of new means tested and targeted social protection programs. Specific topics were a) documents and sources of information to award a subsidy, b) subsidy periods, c) new housing norms and norms for the consumption of housing and communal services, d) the recalculation of subsidies based on the new tariff increases since April 1, 2015, and e) the psychological aspects of working with customers. The events had about 400 participants.

- 2 seminars in Dnipropetrovsk for the regional social protection offices of the Ministry of Social Policy of Dnipropetrovsk and Donetsk oblasts, respectively - 40 participants.
- 2 seminars in Zaporizhzhya (April 21) and Kherson (April 23) oblasts for the Ministry of Social Policy regional social protection offices.
- 2 seminars in Vinnytsia and Khmelnytskyi for the regional social protection offices of the Ministry.
- 2 seminars in Rivne and Volyn oblasts for the regional social protection offices of the Ministry - 57 participants (44 female) in Rivne and 60 in Luts'k (55 female).
- 2 seminars for the social protection departments of Donetsk and Luhansk oblasts - 17 participants (16 female).

The Project held coordination meetings with World Bank social expert Dr. Nithin Umapathi. The meetings focused on new social protection mechanisms and the changes needed in the system of social subsidies and privileges, as well as the social and economic effects of these changes. The Project proposed to GOU the next steps in reforming the system of social protection and increasing the effectiveness of the social protection of consumers under tariff increases. The proposal includes the following actions:

- Simplify the declaration of income and expenses of households.
- Make changes to the application procedure to enable the participation of persons who do not have permanent jobs or who are not officially employed.
- Make changes to the application procedure to enable the participation of students and entrepreneurs.
- Improve the procedure for obtaining data on family structure.

The Project assisted the Ministry of Social Policy on improving social housing norms and the norms of consuming housing and utility services. At the request of SAEI Chairman Serhii Savchuk, the Project prepared an analytical note on setting natural gas consumption standards for the populace as stipulated by GOU Decree #237, "On changes in natural gas consumption standards for the population without gas meters." In coordination with MinRegion and the Ministry of Social Policy, the Project prepared comments and proposed changes to the bill "Amendments to the Law 'On Housing and Communal services,'" regarding social protection for persons participating in the Antiterrorist Operation in Eastern Ukraine and members of their families. The project prepared the following proposals and working documents:

- Substantiation on social time-differentiated standards for the consumption of electricity services when time-based electricity metering is available;
- Impact on the national budget (changing cost of housing subsidies) from setting the adjustment coefficients for 1-2-, 3-4-, and 5+ storey buildings to calculate the consumption of heat energy, electric energy, natural gas and other fuels for heating purposes;
- Justification of the proposed social standards for centralized heating services;
- Explanatory Note on time-differentiated electricity service when electric energy is consumed for heating.

The Project submitted the "Recommendations on improvement of social housing norms and standards for consumption of housing and communal services" report to GOU stakeholders. The Project also started analyzing the efficiency and targeting accuracy of the new program of housing subsidies, and prepared the following recommendations:

- Concept of assistance to low-income households receiving subsidies - to implement energy efficiency improvements (prepared based on the analysis and assessment of the efficiency and targeting accuracy of the new subsidy program);



- Analytical Note on Natural Gas Consumption Standards.

In June, MERP Senior Social Policy Advisor Michael Cain visited Ukraine to review and discuss the measures undertaken by the Government of Ukraine to reform the social protection system for the communal services consumers. Mr. Cain and the Project held a number of meetings with the Ministry of Social Policy, SAEE and WB social team. The meetings focused on different options for a reform concept of the social protection system for communal service consumers:

- improved targeting and efficiency of the housing subsidy program;
- reforming the system of privileges in payment for the housing and communal services;
- transfer to a monetized form of aid provision; and
- introduction of targeted assistance to low income households for implementing energy saving measures.

#### **TASK 1.4: SUPPORTING ENERGY EFFICIENCY STANDARDS**

During the reporting period, the Project assisted MinRegion and SAEE on the development of energy standards. The Project finalized the development of the draft Ukrainian National Standard on Energy Audit of Buildings DSTU B V.2.2-XXX:201X “Methods for Energy Audits of Buildings.” The standard reflects the main requirements of the European standard EN 16247-2 “Energy Audit of Buildings” and takes into account the recent development of the Ukrainian National Methodology of Energy Use in Buildings and other documentation on energy performance and energy ratings of buildings. The Project coordinated the review and discussion of the standard with key stakeholders, and the standard was discussed at the MinRegion Technical Committee meeting, where it was recommended for approval.

During the reporting period, MERP assisted SAEE on the development of the technical regulations, methodologies and procedures needed to execute the plan to implement EU Directive 28/2009/EC on Renewable Energy. The Project participated in a number of working group meetings to assist in the development of these methodologies and regulations, as per the requirements of EU Energy Community:

- In April 2015, the Project participated in the State Agency for Energy Efficiency (SAEE) working group meeting on preparing energy standards related to renewable energy. The meeting was chaired by Ihor Kovalev, Department Head of SAEE, and was attended by renewable energy professionals, local NGOs, and international project representatives. The participants discussed a methodology to identify and calculate part of renewable energy sources in Ukraine’s energy balance as requested by Directive 2009/28/EC Implementation Plan in Ukraine. The Project gave a presentation on its findings and recommendations for this methodology. It was agreed to use European Union (EU) SHARES open source software for calculation purposes. The Project provided support on translating the SHARES software manual and submitted it to the SAEE working group.
- SAEE organized a follow-on meeting in June. The Project participated in the SAEE working group meeting on progress in implementing Directive 2009/28/EC on Renewable Energy in Ukraine. SAEE Deputy Chairman Shlihta chaired the meeting. MinRegion, the Ministry of Fuel and Energy, Ministry of Agrarian Policy, NERC, the State Statistics Service of Ukraine and NGOs were represented at the meeting. The main goal of the meeting was to discuss Ukraine's commitments to implement EU Directive 2009/28/EC. The Project delivered a presentation on a draft methodology to calculate the share of renewables in Ukraine's total energy consumption. The participants agreed to use the EU’s SHARES tool as recommended by the Project.

In June, MERP participated in the SAEE working group meeting on enforcing energy management standard ISO50001 and discussed the establishment of energy management systems in public buildings. SAEE First Deputy Chairman Alexey Korchmit chaired the working group meeting. About 20 participants from MinRegion, professional organizations, institutes, business associations, and international donor projects participated in the meeting. The participants discussed the Plan of Actions to enforce the recently approved energy standard ISO 50001 on energy management. The Plan of Actions covers the methodological, technical, educational and financial aspects of establishing energy management systems in public buildings. A MERP grantee, the Association of Energy Engineers of Ukraine NGO, gave a presentation on an approach for establishing an independent professional energy management certification program.



## **TASK 1.5: PUBLIC INFORMATION AND AWARENESS**

During the last quarter MERP prepared the Public Outreach Concept and Action Plan in accordance with Task 1.5., “Public Information and Awareness,” prescribed in the Project’s new scope of work. The document was approved by USAID. The Concept provides a brief analysis of the current landscape of energy-related public information activities in Ukraine and defines the key stakeholders, their specializations, coverage and plans. The Concept includes a needs assessment of key stakeholders and defines opportunities for cooperation and leveraging resources. It proposes and justifies areas to be covered by public information activities, as well as tools, methods and instruments to be used. The Concept establishes targets and means of verification. The document proposes a concrete plan of actions with a detailed list of activities and a timeline. During the next quarter the Project will be working on development and production of PSAs and other information materials to launch and support the National Information Campaign on EE and the social safety net in October, 2015.

## **ACTIVITY 2: PROMOTE INVESTMENT IN CLEAN ENERGY TECHNOLOGIES AND APPLICATIONS**

### **TASK 2.1: DEVELOPING COOPERATION STRATEGIES**

MERP contributed the following to the Advanced Donor Coordination activities on clean energy. In June, the Project participated in a donor coordination meeting on further steps of EPC implementation by ESCOs in public buildings in Ukraine. Representatives of USAID, EBRD, NEFCO, UNDP, EU delegation and Swiss Cooperation Agency participated at this meeting. The participants discussed the plan of action needed to enforce the recently approved ESCO legal package. EBRD and USAID agreed to allocate resources and start implementing the proposed plan of action.

Also in June, MERP management participated in a donor coordination meeting organized by the German Embassy. Twenty persons, representing the EU Delegation, WB, IFC, GIZ, NEFCO, KWF, USAID MERP, and Swiss Cooperation Agency, attended the event. SAEE First Deputy Chairman Alexey Korchmit gave a presentation on GOU priorities and policy directions in the area of energy efficiency and renewable energy. Participants discussed how to deal with the lack of commitment for energy efficiency reforms within the government. In short, they summarized that SAEE is quite active but lacks political power; MinRegion has political power but lacks commitment. The participants agreed on a priority list of policies and legislation to be approved by the GOU and the Verkhovna Rada:

- Draft National Action Plan on Energy Efficiency
- Draft Metering Law
- Draft Law on Energy Efficiency in Buildings
- Draft Law on National Energy and Communal Services Regulatory Commission
- Others

This prioritization is approximate but serves as a starting point. The participants agreed to initiate a donor meeting with Vice-Prime Minister Zubko to speed up a) the reform process, and b) approval of key reform legislations.

The Project also participated in a number of bilateral donor coordination events.

- MERP visited the Covenant of Mayors Demonstration Projects Program “SUDEP” opening event in Kyiv. The EU conducted this COMO-East kick-off event with participants from many partner countries. The MERP COP explained MERP activities and discussed cooperation with European Commission representative Mr. Rob de Lobel. The EC representative was surprised to learn that the USAID MER Project is helping Ukrainian cities make SEAPs as per the Covenant of Mayors Agreement. MERP and the EC agreed to coordinate efforts to avoid duplication and ensure synergies.
- MERP DCOP participated in the Annual Energy Efficiency Conference organized by the State Agency of Energy Efficiency (SAEE) and GIZ for Western Ukrainian cities. About 60 participants representing cities, the Association of Ukrainian Cities, SAEE, HOAs and industry professionals participated in the event. SAEE First Deputy Chairman Alexey Korchmit informed the participants about GOU Policy on Energy Efficiency, recent GOU programs supporting end use energy efficiency, and the substitution of natural gas by local alternative fuels. GIZ Project Director

Christiana Hageneder, and other GIZ experts gave presentations on municipal energy management tools for the Ukrainian cities. The MERP DCOP gave a presentation on Sustainable Energy Action Plans as a basis for attracting investments in municipal energy efficiency projects.

## **TASK 2.2: ASSISTING MUNICIPALITIES WITH PLANNING, PREPARING AND FINANCING OF CLEAN ENERGY PROJECTS**

During the reporting period, the Project supported international exchanges of the first group partner cities within EU Covenant of Mayors. The Project organized and conducted a Study Tour to Brussels for representatives of six partner cities, MinRegion and SAEF to participate in the European Sustainable Energy Week (SEW). MERP COP and Ukrainian participants from the cities of Chernihiv, Vinnystya, Kramatorsk, Ivano-Frankivsk, Zaporizhzhya, and Kherson, as well as representatives of the GOU (SAEF and MinRegion), participated in several panel discussions of the EU Delegation on energy efficiency, clean energy, and the sustainable development of European cities. They met officials from the EU Delegation and EU Covenant of Mayors (COM) and discussed important topics related to the implementation of Sustainable Energy Action Plans recently developed and approved in the Ukrainian cities with Project support.

The theme of SEW was “Energy Efficiency First,” meaning that efficiency should precede the upgrade of supply systems with renewable energy resources. Participants learned not only from the conference presentations, but also from observing first hand how a modern European city operates with a state-of-the-art trolley system and water conservation technologies. Most valuable was the COM meeting, where the MERP participants gave input to EU officials about the next COM project, still being designed. COM officials were very grateful for the chance to have this direct dialog with signatory cities.

In each of partner cities from first group, MERP identified investment opportunities and presented them to IFIs, commercial banks and investors:

- MERP and EBRD financial experts conducted a joint field trip to Zaporizhzhya to discuss the preparation of the energy efficiency investment program for the municipal district heating utility. The experts met city authorities and the management of the municipal utility to discuss the different investment opportunities arising from the recently approved SEAP. The city authorities informed the Project about the high priority to invest in end-use energy efficiency, i.e., public buildings, metering and automatic control systems. Project and city authorities agreed to prepare an investment concept for EBRD review and an investment decision.
- MERP DCOP participated in the presentation of the Business Plan on energy efficiency in public buildings of Ivano-Frankivsk city. City Mayor Anushkevychus and Deputy Mayor Gayda informed the participants of the city's efforts to develop and implement the Sustainable Energy Action Plan with Project support. NEFCO Credit Officer Bo Nyhus presented the final version of the Business Plan, developed with assistance from USAID MERP and SIDA consultants. The participants discussed the technical and financial aspects of this energy efficiency project that will be presented to the E5P Board and NEFCO Credit Board in June 2015. The total project amount is EUR 1.5 million, and it will provide energy efficiency measures (insulation of walls and roofs, replacement of windows, installation of modern ventilation and heating systems, installation of meters and automatic control systems) to 11 schools and kindergartens in the city of Ivano-Frankivsk.
- The Project developed an investment proposal for the installation of heating pumps on the sewage system of Vinnystya. The investment proposal was presented to EBRD bankers for further consideration.
- The Project finalized a pre-feasibility study for a municipal trolley project in Chernihiv. The investment proposal was submitted to the city authorities and EBRD bankers for further consideration and discussions.

MERP developed a Project Proposal Manual for SEAP implementation by the first group partner cities. The Project organized a workshop and presentation of the “Project Proposal Preparation of Clean Energy Projects” manual in Kamyanytsya-Podilskyi. The event was attended by USAID Contracting Officer's Representative (COR) Andriy Nesterenko, DCOP Andriy Mitskan, representatives of 17 MERP partner cities, SAEF and MinRegion, IFIs, project experts and staffs of Regional Training Centers. The Project gave a presentation on the preparation cycle for Clean Energy (CE) projects in municipal areas, such as district heating, water/waste water, municipal transport, buildings and street lighting. Representatives of the partner cities discussed possible application of the proposed CE project preparation methodology to implement their

SEAPs. Representatives of IFIs (WB and NEFCO) informed participants about the financial instruments and mechanisms available and encouraged cities to apply for CE financing. The participants discussed the Project's further assistance to cities, including the preparation of investment proposals, i.e., pre-feasibility studies and business plans, and their submission to IFIs and private investors.

MERP started preparing investment proposals (i.e., pre-feasibility studies, business plans) on EE and CE projects for the first group of cities. The pipeline of clean energy projects in the partner cities includes:

- A \$10 million investment proposal developed for an EBRD loan to the Chernihiv Municipal EE Transport Project
- An investment-grade audit of 11 public buildings for \$1.6 million of investments by NEFCO and E5P in Ivano-Frankivsk
- A business plan for NEFCO for \$1 million of investments and a SIDA grant for EE in Lutsk public buildings
- Technical specifications for an IBRD/CTF EE loan of \$22 million to Kherson
- Capacity building for commercial banks, e.g., DCA with Bank Lviv, and for HOAs to support residential EE lending
- Other investment opportunities in Vinnystya, Kramatorsk, Kyiv and more.

To support end use energy efficiency in the residential sector, the Project conducted three training workshops for staff of HOAs Clean Energy Resource Centers on clean energy, energy efficiency technologies and actions, project financing, fundraising, organizational and legal issues, team building. About 60 representatives of 12 HOAs/CE Resource Centers, local government authorities, and manufacturers of energy efficiency equipment participated in the events. The workshops were focused on the present status of HOAs; legislation and important legal initiatives for HOAs; typical mistakes related to EE improvements in residential buildings (insulation of building envelope, modernization of the heating system, installation of energy efficient windows); issues of social protection, privileges and subsidies for residents of buildings with HOAs; local programs for supporting residential EE improvements (municipal programs, bank loans, ESCO); public outreach and information dissemination, and more. The participants discussed the preparation of energy efficiency projects in multi-storey residential buildings and financial options to support these energy efficiency measures.

The equipment manufacturers provided information on available technical solutions and best practices for the insulation of buildings, ventilation, window replacement, and automatic control systems. The participants agreed that the Project would facilitate cooperation of HOA/CE Resource Centers with private sector manufacturers to organize exhibitions of energy efficiency equipment for HOAs and their residents.

For the second group of eight partner cities, the Project organized training seminars on SEAP development:

- In April, the Project organized a training session on SEAP development for the partner city of Sumy. Twenty participants, including city authorities, energy managers, managers of municipal utilities, and local NGOs attended. The Project demonstrated templates for data collection and gave a presentation on the initial information gathered in the partner cities to prepare inventories of CO<sub>2</sub> emissions and establish baselines of energy consumption. Participants discussed and defined priority sectors to be included in the SEAP.
- In April, the Project and the Regional Training Center provided an introductory seminar on SEAP development and setting up an energy management system to members of Kyiv City Advisory Committee. The Committee was established to organize and monitor the SEAP development process. The seminar was organized as part of cooperation between MERP and Kyiv City Administration for SEAP preparation. Kyiv Deputy Mayor Panteleyev chaired the seminar and actively participated in its training activities.
- In April, the Project organized a second training session (in a series of three) on Sustainable Energy Planning for the cities of Ternopil and Rivne. Under this training, the participants, including city administration specialists, learned about the process of municipal emissions inventory development and went through the structure of a Sustainable Energy Action Plan.
- In May, the Project conducted a second training session on SEAP development for Lutsk and Khmelnytskyi. The training seminar took place in Kyiv. Twenty five participants (9 women)

representing the relevant departments and divisions of city councils and utility companies of Lutsk and Khmelnytskyi, attended the seminar. The Project gave a presentation on a draft inventory of CO<sub>2</sub> in the partner cities and discussed the investment projects to be included in SEAPs in these cities. The participants provided comments on the results of the financial and economic analysis of the proposed investment projects, the ranking of the projects, possible sources of financing, and a targeted information campaign.

The Project prepared recommendations and assisted the second group of partner cities on improving energy monitoring, data collection and analysis, and methodologies for CO<sub>2</sub> emission calculation. With Project support, the partner cities compiled a comprehensive database, including characterizations of multi-dwelling and public buildings, their historical energy use, energy producers and their transmission systems. The Project evaluated current baselines and estimated the potential for EE/CE/GHG emission reduction projects for key municipal service areas.

### **TASK 2.3: INTRODUCTION OF ENERGY MANAGEMENT SYSTEMS**

During the reporting period, the Project assisted the first group of cities and utilities' management in formulating energy management organization charts with descriptions of roles and the responsibilities of energy managers.

The Project developed a package of documents for the organization of the municipal energy management system in the city of Zaporizhzhya. The Project recommended the establishment of a communal enterprise that will organize energy monitoring, energy management and attract investments in Zaporizhzhya's energy efficiency projects. Based on Project recommendations, the city council of Zaporizhzhya made the decision to establish the Municipal Energy Agency communal enterprise which will be in charge of municipal energy management and investment attraction.

For the second group of partner cities, MERP trained the administrations and their municipal utilities on the energy management cycle which includes: energy audit, monitoring and baseline definition, analysis of energy consumption, preparation of energy plans, and implementation of EE measures.

The Project organized a number of training events on energy management (as per energy standard ISO 50001) for Kyiv city authorities and staff of Communal enterprise KP GVP (Kyiv ESCO). The Project, in coordination with GIZ experts, developed an investment proposal with a Concept for establishing a municipal energy management system in Kyiv. The key elements of the Concept are the following:

- Installation of metering systems for all types of energy services (heat, water, etc) in 100% of public municipal buildings (schools, kindergarten, hospitals, etc);
- Establishment of an automatic-control energy consumption information system in Kyiv (with real time data collection and processing).
- Installation of automatic control units in public building (to regulate heating flows depending on weather conditions).

The Concept is under consideration by the Kyiv City Administration.

In Sumy, the Project developed energy monitoring tools for public buildings and submitted them to the city authorities and energy managers. The Project provided technical consultations on the application of these energy monitoring tools.

MERP assisted in capacity building and establishing a municipal energy management system in the cities of Rivne, Lutsk, and Khmelnytskyi. The Project provided a number of training seminars on the establishment of municipal energy management systems in accordance with energy standard ISO 50001, conducted an assessment of the current energy management situation in these cities, and provided the following recommendations on its improvement:

- Establish an energy monitoring and reporting system based on modern e-based tools and methods (i.e., e-based document management system and infographics);
- Install 100% metering systems with GSM modems to ensure the remote reading of meters and monitoring of energy consumption (eliminating the human error factor);
- Establish a unique data base for energy efficiency projects in the city;

- Establish a regular information exchange with communal services utilities and the city administration energy managers;
- Develop, approve and enforce a methodology for evaluating the energy efficiency potential and quality of energy supplies (heat, water, etc.);
- Develop and implement a monitoring system for CO<sub>2</sub> emissions in the city;
- Develop and implement an incentive system for energy management specialists to stimulate energy savings.

MERP conducted a number of meetings with the authorities of these cities to discuss the implementation of the above recommendations.

#### **TASK 2.4: DEVELOPMENT CREDIT AUTHORITY LOAN GUARANTEE**

During the reporting period, MERP assisted USAID in the selection of a commercial bank for a new DCA. MERP management and MDI experts participated in a coordination meeting with the USAID DCA team regarding opportunities for the new energy efficiency DCA facility in Ukraine. During the meeting, the Project provided information on energy efficiency projects and their technical and financial aspects. The participants discussed the current banking sector crisis and other risks affecting the launch of the new DCA facility. On the next day, the Project and USAID DCA team met with META Bank Chairman Mr Nuzhniy and his staff. Chairman Nuzhniy informed us about his bank's activities and credit policy priorities that include agribusiness lending and HOAs. The bank expressed general interest in USAID DCA partial guarantees for HOA lending but asked about the possibility to delay the start-up date of the DCA agreement for six months due to the current financial crisis and a number of uncertainties in the HOA legal framework. The bank also proposed a differed payment, by tranches, of the DCA Initiation fees. The USAID DCA officer promised to check on this request with the head of the DCA Credit Committee.

During the reporting period, MERP continued assisting Bank Lviv on the utilization of USAID DCA for energy efficiency by providing workshops for the relevant bank departments, assistance on energy audits and review of loan applications, training of potential borrowers on bank loan products for energy efficiency, and the implementation of an information and marketing campaign for energy efficiency commercial lending.

Since the beginning of DCA guarantee, the bank has received applications from a total of 15 legal entities and issued seven EE loans for a total of UAH 5.3 million and EUR 747,400 (10.59% utilization rate). Currently, the bank is reviewing two more applications, both for Condominiums.

During the reporting period, the Project organized a training seminar for the Bank Lviv staff on ESCO financing and energy performance contracting in Lviv. The Project gave a presentation on the legal and technical aspects of ESCO operations. Twelve people from the credit and risk departments of the bank attended the seminar. The participants discussed different ESCO models, the relevant legislation on energy performance contracts, the technical aspects of the ESCO model in public and residential buildings, and energy efficiency measures via the ESCO mechanism. The participants agreed that the Project would support local ESCO applications for energy efficiency loans under DCA.

MERP, jointly with Bank Lviv, organized a training seminar on commercial lending for energy efficiency projects to local HOAs in Ivano-Frankivsk. Thirty two participants (15 women) representing HOAs, city authorities, and municipal utilities attended the seminar, called “Energy efficiency improvements in multi-apartment residential buildings: technical, financial, legal and organizational aspects.” On the same date, the Project assisted the Ivano-Frankivsk Oblast State Administration and State Agency for Energy Efficiency and Energy Saving in organizing and conducting a seminar titled “Partnership for Energy Efficiency,” as part of the GOU energy efficiency support program for commercial loans. The event was chaired by SAAE Chairman Mr. Sergei Savchuk. The Project gave presentations on implementing energy efficiency projects in multi-family residential buildings of HOAs. The State owned commercial banks Ukrgasbank and Oshadbank informed participants about their loans for energy efficiency.

#### **TASK 2.5: SUPPORT MECHANISMS THAT MOBILIZE PRIVATE SECTOR INVESTMENTS**

During the reporting period, the Project started an analysis of partner cities' needs for the establishment of ESCO EPCs. The MERP DCOP participated in the Private-Public Partnership Speed-up Conference organized by the Ukrainian Center of PPP. Conference attendees included 80 participants representing GOU



agencies, experts and think-tank organizations, international projects, cities, and local investors. The participants discussed the current legal and regulatory environment for PPP projects in Ukraine, as well as best international practices for structuring infrastructure PPP projects. Meredydd Evans from PNNL gave a presentation on the US experience with energy services companies (ESCOs). The Project participated in the discussions on the application of the best practices with an ESCO in the Ukrainian environment (based on the Kyiv ESCO case, developed with USAID assistance).

MERP assisted Kyiv City Administration on updating the legal and financial documentation needed for **implementing EPC for Kyiv ESCO**. The Project conducted a working group meeting with the Kyiv City Administration and management of Kyiv ESCO KP GVP. The Project gave a presentation on the results of two months assistance on legal and regulatory issues to enable the implementation of the energy efficiency projects in public buildings in the city of Kyiv. The Project presented draft Energy Service Agreements and recommendations on the procurement process. The Project presented a road map for budgeting and payment of the Energy Service Agreements. Representatives of the Kyiv City Administration and KP GVP “Kyiv ESCO” accepted the results of MERP assistance.

MERP supported GOU and Verkhovna Rada committees on the approval of ESCO legislation. USAID OEG Director Steve Gonea, COR Andriy Nesterenko, and MERP management participated in a roundtable with Minister of Finance Natalie Jaresko, organized by the US-Ukraine Business Council (USUBC) and American Chamber of Commerce. Minister Jaresko informed the business community about the reform process, i.e., financial stabilization of the Ukrainian economy and further prospects for growth. In the field of energy, the Minister announced that she will not object to the package of ESCO laws, developed with USAID and EBRD assistance, and is recommending that President Poroshenko sign them.

The ESCO legal package was approved and signed by President Poroshenko. The Project participated in the SAEF working group meetings on developing the sub-laws needed to enforce ESCO legislation. The list of documents includes the Reference Energy Performance Contract and Methodology on Determining the Energy Consumption Baseline. The Project delivered the first draft of the Energy Performance Contract (EPC) for review and discussion. It was agreed that EBRD and other experts of the working group would review and provide comments on the draft.

The Project participated in the donor coordination meeting on further steps to implement ESCO/EPC for public buildings in Ukraine. Representatives of USAID, EBRD, NEFCO, UNDP, EU delegation and Swiss Cooperation Agency participated in this meeting. The participants discussed the plan of action needed to enforce the recently approved ESCO legal package and agreed on the following:

- To develop a “reference” contract for EPC and get it approved by the Cabinet of Ministers;
- To develop a methodology for determining baseline consumption and achieved savings;
- To provide training on key aspects of ESCOs and EPCs to GOU stakeholders, including the Ministry of Finance, Fiscal Service, and State Treasury.

EBRD and USAID agreed to allocate resources and start implementing the proposed plan of action.

The Project supported GOU and cities’ efforts in mobilizing commercial lending for residential energy efficiency. The Project, SAEF, oblast and city officials organized a number of regional round tables to inform the populace (HOAs and individual households) on GOU budget support programs for commercial lending. This work has already produced important results during the reporting period (55 mln UAH loans issued by State banks for EE in residential sector by July 2015):

- MERP supported the SAEF Round Table on energy efficiency in HOAs buildings. SAEF Chairman Sergei Savchuk and USAID Mission Director Jed Barton made opening remarks. The forum gathered 300 participants representing government officials, managers of oblast and city administrations, representatives of homeowner associations (HOAs), international organizations and funds, foreign and local experts, commercial banks and managers of the communal sector. They discussed issues of energy efficiency in the housing and communal services sector in the context of a new State Program aimed at supporting bank loans to HOAs for energy efficient measures in residential buildings. The Project gave a presentation on its experience in preparing and implementing energy efficiency projects in residential buildings.
- The Project participated in the seminar “Energy Efficiency Challenges: Community Organization and State Support” in Odesa, organized by the SAEF. The Project delivered a presentation on the role of

HOA Resource Centers in residential energy efficiency improvements. The seminar was attended by about 60 persons representing local HOAs and their associations, oblast and city officials, energy professionals, local NGOs and mass media. The Project participated in the discussion on the application of the new GOU support mechanism for residential energy efficiency as per GOU Decree #231 dated April 8, 2015. It is expected that GOU support will stimulate commercial lending to residential energy efficiency improvements.

- The Project organized a training seminar on “Energy efficiency improvements in multi-apartment residential buildings: technical, financial, legal and organizational aspects” in Ternopil. Forty nine participants (27 men, 22 women) representing local Home Owner Associations (HOAs), manufacturers of energy efficiency materials, and representatives of the Ternopil City Administration attended the event. MERP DCOP and the Deputy Mayor of Ternopil opened the seminar and gave a presentation on the investment priorities of the city SEAP. End-use energy efficiency in public and residential buildings have high importance and the attention of the city council. The participants discussed the technical, organizational and legal aspects of implementing energy efficiency projects in residential buildings. Bank Lviv gave a presentation on its energy efficiency loan product and the application procedure for HOAs to get energy efficient loans. The Project and local HOAs from Lutsk and Lviv presented best practices on receiving commercial loans for energy efficiency projects in residential buildings.
- The Project participated in the “Partnership for Energy Efficiency” seminar organized by the State Agency for Energy Efficiency and Energy Saving (SAEE) in partnership with the Ministry of Regional Development and Chernihiv City Council. Fifty participants representing SAEE, Chernihiv City Council, Chernihiv Oblast State Administration, local HOAs, and international technical assistance projects attended the event., SAEE Chariman Sergei Savchuk made opening remarks and informed participants about state budget support of residential energy efficiency. The Project gave a presentation on project assistance to the Clean Energy Condominium Advisory Centers to support end-use energy efficiency and commercial lending to HOAs, and covered the legal, methodological and organizational assistance available to HOAs wishing to receive commercial loans for energy efficient renovations.
- The Project participated in the seminar on energy efficiency organized by the State Agency for Energy Efficiency and Energy Saving (SAEE) in partnership with the Ministry of Regional Development and Kyiv Oblast Council. SAEE Chairman Sergei Savchuk and Kyiv Oblast Governor Volodymyr Shandra made opening remarks and told the participants about state budget support of residential energy efficiency measures. About 60 participants representing SAEE, Kyiv Oblast State Administration, local HOAs, and international technical assistance projects attended the event. The Project gave a presentation on project assistance to the Clean Energy Condominium Advisory Centers to support end-use energy efficiency and commercial lending to HOAs and covered the legal, methodological and organizational assistance available to HOAs wishing to receive commercial loans for energy efficient renovations. State owned banks Oshchadbank and Ukrgazbank gave presentations on their energy efficiency loan products.

## **TASK 2.6: PREPARATION OF SUSTAINABLE ENERGY PUBLIC AWARENESS PLAN AND DEVELOPMENT OF RELATED MATERIALS**

During the reporting period, the MERP Project continued its energy efficiency outdoor advertising campaign calling for reducing natural gas consumption by substituting it with alternative energy sources. MERP placed the new bill board and city light posters in partner cities.

The Project’s commercial media partner contributed the placement of 600 billboards and 200 city light posters free of charge. This contribution is estimated to be worth over USD 100,000. The Project’s design partner allocated over USD 16,000 of its human and material resources for the development of alternative energy billboards and city lights. The leverage of this private sector contribution is 1:11.

In May and June, the Project supported a number of outreach events on the national and municipal levels. For example, the Project participated in the Information Fair at the Ukrainian parliament building. The event was supported by many USAID projects. USAID Mission Director Jed Barton made opening remarks, and outlined key priorities of reforms such as democracy, rule of law, and combatting corruption. The Project provided information materials to the national deputies. Information topics included energy efficiency

policies, municipal energy planning and energy management, energy saving measures and protection of low-income consumers.

The Project also helped cities conduct Energy Efficiency Days that supported the approval and implementation of SEAPs. These events were attended by over 10,000 people, including representatives of city and oblast administrations, NGOs, media and local citizens. During these events the MERP team, in cooperation with city administrations and volunteers from local secondary schools, organized information pavilions in the central squares of the partner cities. Here the staff and volunteers distributed more than 2000 copies of educational materials, namely, 10-tips brochures on how to conserve energy in multi-apartment buildings, a brochure called “Why do tariffs go up?” and posters on EE in households. Located in central squares, these pavilions also served as counseling centers, scientific labs and creative studios that demonstrated energy efficient technologies and clean energy applications. While adults were learning how to save money and energy, young visitors had a great time participating in various creative and scientific workshops. The youngsters made paper windmills, assembled alternative energy sources and electrical devices, played EE games and took EE quizzes.

MERP continued to coordinate its targeted public information activities with energy market stakeholders organized by the GOU Communication Group. The Project participated in several events to establish connections among basic units of energy market stakeholders - businesses, government, industry, professional associations and NGOs. During the meetings, the Project shared its plans for an information campaign with the GOU Communication Group, World Bank, and a commercial media marketing group. The information campaign will promote social safety nets and energy efficiency.

During the last quarter, the Project developed and finalized a number of infographic banners for social media and other information materials (Q&As sheets), explaining the new subsidy mechanism to raise awareness regarding the new eligibility criteria and the application process among targeted audiences, including young families, single mothers, and unemployed citizens. The infographic was placed in the Project FB page, as well as the social media pages of OPORA and MDI.

The Project conducted a formal awards ceremony for the winning **journalists in the contest** for best published materials. Topics included energy efficiency, alternative and clean energy, advantages of condominiums, tariff reform and social protection for the population. The OEG Director of the USAID Mission in Ukraine Steve Gonyea opened the event and outlined the importance of transparency in the municipal energy sector. The contest was organized by the Project together with the Center for Ukrainian Reform Education (CURE) and with corporate sponsorship from Burisma. The contest was conducted among journalists from Chernihiv, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Kyiv, Vinnytsia, and Zaporizhzhya, oblasts, all of which are implementation partners in USAID MERP pilot programs. The contest took nominations for the best material in the categories of printed and online media, best TV and best radio materials. One hundred thirty two materials arrived from more than 30 journalists in different parts of Ukraine – just 10 of them were recognized as winners. For more information visit [www.merp.org.ua](http://www.merp.org.ua).

MERP cooperated with the Association of Ukrainian Cities on disseminating best practices related to municipal energy reforms. The MERP Communication Team gave a presentation to an audience of the workshop “Capacity building of self-governing bodies to effectively manage energy.” The presentation featured effective approaches to public and media relations, i.e., changing the mentality of Ukrainians through a multi-faceted information campaign on energy efficiency and alternative energy (EE/AE). The workshop was organized by the Association of Energy Efficient Cities of Ukraine in order to familiarize representatives of MERP partner cities with the best practices of public awareness activities. About 20 representatives of non-governmental organizations (NGOs) working in the field of energy saving and environmental protection attended the event. Based on the knowledge gained at the workshop, NGO representatives will prepare work plans of outreach activities on EE/AE and will **help** implement them on the local level.

## **ACTIVITY 3: CAPACITY BUILDING AND DISSEMINATION**

### **TASK 3.1: PREPARATION OF A LOCAL NON-GOVERNMENTAL ORGANIZATION FOR A DIRECT AWARD FROM USAID**

#### **Preparation of a local organization for direct USAID award**

During the reporting period, based on the agreed transitioning plan and agreed with the USAID program description, the Project continued preparing the non-governmental organization Renewable Energy Agency



(REA) for a direct USAID award. The preparation included a review and improvement of organizational policies and procedures and assistance with implementation.

In May, 2015, at the request of MERP, Ernst and Young (E&Y) conducted a survey of the financial and management systems of REA. The purpose of this survey (based on NUPAS guidelines) was to determine whether REA has the ability or potential ability to comply with USAID and US Government policies, and what degree of support is necessary to ensure the proper accountability of funds provided to the organization. Results of the survey showed that certain areas require improvement. In order to address the report findings, REA developed a detailed action plan and requested additional funding to increase time inputs related to the improvement and implementation of organizational policies and procedures, and to procure necessary commodities and services. The specific tasks (actions) for the extension are as follows.

- Improve the organizational charter and board of directors' operations.
- Improve internal control (separation of duties) related to banking transactions.
- Improve accounting and financial reporting systems; upgrade existing software to ensure automated financial reporting.
- Improve procurement policies and procedures to ensure compliance with 2 CFR 200.
- Review HR policies and the payroll system to ensure adequate internal controls.
- Procure additional equipment to ensure that accounting and financial (banking) transactions are conducted in accordance with E&Y recommendations.
- Extend existing office space and ensure adequate safeguarding (insurance and security) of assets acquired using USAID funds.

REA had received a grant under MERP to implement the “Promotion of Natural Gas Substitution with Biomass in Heat Energy Production” project, but the grant did not provide specifically for funding activities (including costs of personnel) for transitioning this NGO to a direct USAID award. MERP submitted an request to approve additional funding within the existing budget to USAID.

### **Performance of local partners under sub-awards**

During the reporting period, four Project partner NGOs continued implementing projects under their grant agreements. Key milestones and deliverables include:

#### *Association of Energy Auditors in Housing and Communal Services (AEA)*

Project: “Support to Institutional Capacity of Ukrainian Cities in the Development and Implementation of Sustainable Energy Policies”

- Under Task 1, AEA prepared materials and conducted presentations of ESCO laws at municipal conferences (forums); established a working group with the Association of Ukrainian Cities (AUC) to provide input into the development of sub-legislative acts.
- Under Task 2, developed a reference book (catalog) on available funding sources and international projects supporting EE and Clean Energy project in Ukraine; in cooperation with AUC established an informational/consulting service aimed at supporting the preparation of EE projects in the partner cities; created the relevant section on the AEA web portal.
- Under Task 3, conducted the selection of medium size cities for the development of SEAPs and energy management function; signed MOUs with the cities and AUC; started the development of a catalog of successful EE projects in small and medium Ukrainian cities; continued improvement and updating of the AEA web portal and social media resources to disseminate information on EE issues.

#### *Association of Energy Engineers of Ukraine (AEEU)*

Project: “Implementation of Independent Certification System for Energy Management Specialists”

- Under Task 2, developed and agreed with the certification body (Association of Energy Engineers) requirements and selection criteria for the specialists to be trained under the Certified Energy Management (CEM) program; conducted the selection of 20 specialists for the training to be

conducted in July, 2015. Selection was competitive. The committee received and evaluated over 170 applications. The committee comprised the MER Project, MinRegion, SAEE and others.

- Under Task 4, developed a draft action plan to ensure certification program implementation in Ukraine, including recognition by key partners and governmental bodies.

#### *Energy Efficient Cities of Ukraine (EECU)*

Project: “Practical Model of Local Government Capacity Building for Efficient Energy Management”

- Under Task 1, conducted a working meeting related to the development of the Green Book on municipal energy efficiency.
- Under Task 2, developed informational materials on conducting energy audits for municipalities; based on ISO 50001, created a sample of energy capacity development; conducted training in energy management to establish working groups at the regional level.
- Under Task 4, developed questionnaires and started assessing the use of energy resources by the municipalities.
- Under Task 5, conducted an annual EECU conference, EU Sustainable Energy Week event (Vinnytsya) and Energy Days in Ivano-Frankivsk, Lviv, Zaporizhzhia, Chernihiv and Kamyanets-Podilskyi; developed information to promote the “GoGreen” initiative and distributed them to 15 pilot cities and 80 communal enterprises.

#### *Renewable Energy Agency (REA)*

Project: “Promotion of Natural Gas Substitution with Biomass in Heat Energy Production”

- Under Task 3, selected cities (Vinnytsia, Kherson and Dnipropetrovsk) to conduct an analysis of biomass potential and for the development of feasibility studies;
- Under Task 5, prepared a manual on developing and implementing biomass energy projects in heat production.
- Under Task 6, prepared a workshop on preparing feasibility studies for bio-energy projects. The training for municipalities is scheduled for July 2015.
- Under Task 7, conducted a preliminary analysis of biomass potential for project implementation in the selected regions (Vinnytsia, Kherson and Dnipropetrovsk);
- Under Task 8, continued distribution of information related to the implementation of renewable energy projects through the REA web portal and social media networks.

#### **Monitoring and provision of technical assistance to implement capacity building plans**

During the reporting period, the Project contracted a local consulting company to provide in-depth capacity building support to selected local NGOs (EECU, AEA and AEEU). In particular, the support included

- Preliminary evaluation: Overview of organization activities; review of constituent documentation, strategic plans, and organizational structure to determine their compliance with legislative norms and international standards; evaluation and review of existing internal policies and procedures (manuals) to determine their compliance with statutory activities and USAID's key regulatory provisions.
- Summary evaluation: Assessment of the level of correspondence of manuals (policies and procedures) with key USAID regulatory provisions and Ukraine's legislative provisions; development of recommendations to improve, finalize or rectify deficiencies.
- Practical training course: A comprehensive, practice-oriented program designed for advancing the trainee's professional level and systematizing his/her knowledge, with further improvement in the organization's operations.
- Individual consultations: Individual consulting services to be provided that address organizational and managerial weaknesses; support development and implementation of improvement plans for each organization.
- Evaluation and Final evaluation: General evaluation of the non-governmental organization's policies; evaluation of the final manuals for their compliance with key USAID regulatory provisions and regulatory provisions of Ukraine.

MERP regularly monitored NGO progress against parameters stated in the Capacity Building Plans and monitoring score cards which included reviews of the documentation that the NGOs developed and the actions they took.

## ACTIVITY 4: ENHANCE CAPACITY FOR THE GOU IN LOW EMISSION DEVELOPMENT STRATEGIES (EC-LEDS)

### TASK 4.1: STRENGTHENING INSTITUTIONAL CAPACITY IN PLANNING LEDS-REDS

MERP continued coordination meetings with international donors and technical assistance projects dealing with climate LEDS related issues.

#### Inter-agency Coordination and Policy Development

Under the MoU with the Ministry of Ecology and Natural Resources (MinEcology), the Project conducted several activities, including:

- Improving the primary and secondary legal framework for clean energy;
- Creating favorable conditions to attract investments in the clean energy sector;
- Institutional capacity building for the Government of Ukraine (GOU);
- Disseminating international experience.

The Ministry established the Climate Change Working Group to serve as a platform to support LEDS. The Project provided assistance to the expert working groups on GOU climate policy development, its format, as well as issues with formulating the Intended Nationally Determined Contributions (INDC). The Group tasked MERP with a coordination role to develop a draft work plan, i.e., a scope and agenda for the working groups (WGs), by organizing and facilitating expert meetings of the WG outside the MinEcology office.

MERP experts on Low Emission Development Strategies (LEDS) met with the Head and Deputy Head of the Macroeconomic Forecasting Department of the Ministry of Economy. They discussed the Ministry's role in preparing the INDC and a vision for long-term economic development of Ukraine to 2030 and beyond. The Project gave a presentation on the macroeconomic and sectoral indicators used in calibrating the TIMES-Ukraine model. In particular, the presentation focused on short- and medium-term (up to 2030) and long-term (beyond 2030) forecasts. They also focused on the growth rate of output and GDP (aggregated in terms of economic activity), forecasted processes of capital accumulation, trade flows and the issue of long-term structural changes in the economy. The Project and the Ministry agreed to continue coordinating with each other on the Enhanced Capacity for Low Emissions Development Strategies (EC LEDS) and on preparation of the INDC.

The Project supported development of the INDC and the bill on Climate Change Strategy. MERP engaged in broad stakeholder consultation according to best international practice by organizing, hosting and facilitating five meetings of expert groups on INDC:

1. April: The Project conducted a coordination meeting on INDCs with a UNDP-German Government funded project. Participants discussed development of the Ukrainian INDC, internal coordination issues, and organization of the Inception INDC Round Table with key GOU stakeholders. The combined resources of donor funded projects could provide greatly needed emergency support for the GOU in its efforts to prepare the INDC decision without missing the October 1st deadline. Participants also discussed the Draft Action Plan for INDC preparation along with such issues as the role of MERP, UNDP and Clima-East EU projects.
2. April: MERP supported a meeting of the Working Group on State Climate Policy Development under MinEcology. About 20 leading specialists and experts as well as representatives from the Ministry attended the meeting. The participants discussed two major topics: 1) approaches to the development of a state climate policy on LEDS, and 2) formulation of the Ukrainian INDC. The Project presented information on the INDCs already submitted by seven governments, including the US, Switzerland, EU, Norway and the Russian Federation, as well as a preliminary schedule for INDC elements and a structure of the INDC submission. The key stakeholders agreed on and finalized the Draft Action Plan along with a schedule for the preparation of the INDC.

3. & 4. May: The Project supported two expert meetings with the Ministry of Ecology. The main topic in both was the role of donors in INDC preparation. The Project informed participants about progress in preparing baseline reference scenarios of macroeconomic and energy sector development in Ukraine. The UNDP INDC team announced a recent agreement with the Ministry to support the INDC process. Participants discussed the Global Climate Change (GCC) Working Group schedule and its main topics, including the GOU vision on the climate policy of Ukraine to 2030 and beyond. MERP agreed to support the Ministry with preparing the technical documents for the negotiations under UNFCCC, to be held in Bonn, Germany.
5. June: The Project together with MinEcology organized a working group meeting on climate change policy. Representatives from the donor projects (USAID, EU Clima-East, and UNDP), technical experts, the Deputy Head of Climate Policy Department from the Ministry of Ecology and the Director of National GHG Inventory Centre participated in the meeting. Discussion centered on two topics: a) the structure of the information document on INDC for GOU agencies; and b) business as usual (BAU) scenarios. The Project gave a presentation on multiple topics:
  - Aggregated drivers of three economic scenarios and a comparison of unit parameters (energy and carbon intensity);
  - BAU (energy scenario) assumptions and a detailed description of BAU energy scenario results;
  - The difference between high and low economic scenarios and examples of LEDS scenarios;
  - National Climate Change Policies.

During the reporting period, the Project continued **donor coordination activities on LEDS**.

- In April, in the framework of the International Ecological Forum, “Environment for Ukraine,” a round table called “Discussion on participation of Ukraine in the 2015 Global Climate Change Agreement with a Focus on INDC in Ukraine” took place. Over 30 leading specialists and representatives from MinEcology, MinRegion, SAE, private business and NGOs attended the meeting. The Project, together with the Institute of Economy and Forecast (IEF) of the National Academy of Science, presented the main TIMES-Ukraine Model results. This is the long-term model of energy sector development and assessment of potential greenhouse gas emissions reductions. Furthermore, participants discussed a preliminary schedule for INDC elements, including timeframes, milestones, sector distribution and structure of INDC submission along with the roles of three technical assistance projects – USAID MERP, UNDP, and ClimaEast. Following the meeting, the participants indicated that further cooperation and coordination between stakeholders, the public, and donors is crucial for a successful INDC preparation process in Ukraine. The need is most pressing in regard to the future of sustainable development and in obtaining results from international negotiations on climate change.
- In May, MERP EC LEDS experts participated in the Round Table on Global Climate Change organized by the EBRD PETER project. Thirty people, representing the MinEcology, the Ministry of Economy, SAE, industry professionals and donor projects, attended the event. Participants discussed the need to improve the GOU climate change policy, establish the internal Emission Trading System, and update their LEDS infrastructure (measurement, reporting & verification, or MRV, and National Inventory System). MERP gave a presentation on INDC analyses and recommended establishing inter-agency coordination to discuss INDC goals.

### **LEDS Capacity Building**

The Project developed a curriculum and started to deliver capacity building workshops on EC LEDS. MERP conducted a training needs assessment of GOU officials on EC LEDS to define the participant profile and updates required for the training program, and then customized the training curriculum to their needs. The Project prepared a report with their EC LEDS needs assessment.

In June 2015, the Project conducted a 3-day capacity building seminar on EC LEDS for 54 people. Participants represented government ministries and agencies in all sectors; the private sector (industries and enterprises); non-governmental organizations and civil society; academic and technical institutes; and consulting groups. The training course effectively supports implementation of an actual LEDS action

plan process in Ukraine and both short and longer term investment. The course is directly linked to several, urgent strategic priorities of Ukraine's key government agencies:

- Development of integrated goals that address the national vision at the ministerial level for the economy, energy, and the environment (3E);
- Clarification of agency roles in developing and incorporating 3E policy actions into their individual agency goals and collaborating with stakeholders ;
- Cooperation within and between governmental bodies, including ministries;
- The need for tools to address economic development strategy and security requirements, including macroeconomic analysis of current and potential policy actions;
- Identification of 3E policy champions in the Ukrainian government, including in the offices of the president and prime minister.

### **LEDS Analytical Tools**

The Project continued updating and populating the TIMES-Ukraine model with baseline and alternative scenarios of Ukraine's energy sector development to 2050, and with estimations of greenhouse gas (GHG) emissions for each scenario and their combinations. The Project conducted a number of training workshops with GOU stakeholders on LEDS forecasting and the use of the TIMES-Ukraine model.

Project experts from US Decision Ware Group (DWG) and IEF of the National Academy of Science conducted an analysis of existing sectoral programs and data. Based on the updated TIMES-Ukraine analytical tool, the Project developed a reference scenario for the International Protocol for Climate Change (IPCC) energy sector. The Project prepared alternative development scenarios (100-200 iterations) and conducted a technical training seminar for public stakeholders to discuss the preliminary results of alternative development scenarios.

Based on the seminar results, the Project updated the alternative development scenarios and prepared another technical seminar for public stakeholders to present the updated scenarios for INDC purposes. The next step would be submission of a final report to GOU partners with recommendations on Ukraine's INDC for the IPCC energy sector.

### **TASK 4.2: IMPLEMENTING LEDS-REDS THROUGH SUPPORT IN DEVELOPING AND INTRODUCING CLEAN ENERGY TECHNOLOGIES AND ENERGY SERVICES**

The Project started preparing guidelines for selection of project technologies, in particular the following components:

- Preliminary guideline structure - This includes best available technologies and renewable energy sources in municipal systems for 1) heat production, 2) transportation, 3) lightning, 4) water & sewage, and 5) solid waste treatment systems.
- The first part, heat production - "Best available technologies and usage of renewable energy sources in municipal heat energy production systems" contains data about biofuel boilers (which use straw pellets as fuel), heat pumps, and solar collectors. There is information on additional EE measures such as thermo-modernization, ventilation with recuperation, and heat flow regulated by weather conditions. For the most technologies, the guideline provides an information summary, functional diagram, advantages and disadvantages, producers, indicative prices, influence on the environment, conclusions and recommendations for selection, and indicative project costs.
- The second part, transportation - "Best available technologies for municipal transport systems" contains data about technologies and measures to improve municipal transport systems such as high capacity public transport, transport traffic plan optimization, optimization of public minibus quantity and using vehicles with electric motors or biofuelled engines.
- The third part, lighting - "Best available technologies for lightning systems" contains an overview of the current situation with municipal lighting systems, technologies for lighting systems, a list of major Ukrainian and foreign producers and prices of lighting equipment, the main technical and economic characteristics of the measures to reconstruct internal and external lighting, existing examples of best available lighting technologies implemented in Ukraine, conclusions, and recommendations for selecting the right system.

MERP started preparing an overview of financing mechanisms for CE projects suitable for Ukraine:

- Description of external sources, such as international organizations that provide loans, grants and technical assistance to modernize various sectors of the economy.
- Description of Ukrainian financial sources, such as the national budget, local budgets, the State Regional Development Fund, the Foundation for Local Self-Government of Ukraine, a public-private partnership mechanism, and loan programs for EE measures.

#### **TASK 4.3: DEVELOPING A UNIFORM DATABASE ON LEDS-REDS AND EXCHANGING EXPERIENCES AND BEST PRACTICES WITH OTHER COUNTRIES PARTICIPATING IN EC-LEDS**

The Project developed a comprehensive concept paper on establishing the EC-LEDS database in Ukraine. The main objective of the UA-LEDS Database web portal is to assist Ukraine

- to transfer to a low-carbon development path.
- along with the international community to decide what Ukraine should do to switch to this path.
- to meet Ukraine's international obligations.

These tasks may be realized by developing a web portal for posting a universal UA-LEDS database. It will reflect the LEDS process, conduct searches, update documents, offer proposals and enable the exchange of experience. Also, the portal will be used as a platform for discussion and dissemination of useful analysis tools, models and open software. Updating information must be transparent and convenient for all users. The site structure and database should cover the main issues that characterize how to transfer the country's path to low carbon development and the key measures and policies to mitigate climate change. The UA-LEDS Database will be created as a web site on the openly accessible CMS MediaWiki.

At this moment, the technical specifications and requirements for the web portal, draft menu structure and list of functional possibilities have already been designed. The Project is in the process of selecting an IT service provider to implement the database.

## C.4 PERFORMANCE INDICATORS

MERP prepared and submitted the M&E Plan to the USAID COR for review and approval. USAID approved the Plan in April, 2014.

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Project Purpose: Enhanced Energy Security														
0.1	Energy Intensity (context indicator)	<b>Units:</b> Tons of oil equivalent/per thousand USD <b>Sources:</b> GOU (State Statistics Committee, Ministry of Economy, SAE); World Bank; IEA reports	Annually <sup>1</sup>	0,69 2012	n/a	Data collection in process	n/a		n/a		n/a		n/a	
	<b>Definition:</b> Energy intensity as units of energy per unit of GDP <b>Justification:</b> Context indicator provided by the USAID Mission. This measures the energy efficiency of a nation's economy. <b>Disaggregated By:</b> N/A													
0.2	Net energy imports as percent of energy use (context indicator)	<b>Unit:</b> percentage <b>Sources:</b> GOU (State Statistics Committee and Ministry of Energy); World Bank; IEA reports	Annually	37.9 2012	n/a	Data collection in process	n/a		n/a		n/a		n/a	
	<b>Definition:</b> Ratio of net energy imported and energy used for all economic sectors. <b>Justification:</b> Context indicator provided by the USAID Mission. This measures dependence of Ukrainian economy from imports of energy resources. <b>Disaggregated By:</b> N/A													
0.3	Emission Intensity (context indicator)	<b>Unit:</b> metric tons of CO <sub>2</sub> equivalent per thousand USD <b>Sources:</b> GOU (State Statistics Committee and Ministry of Environment); World Bank	Annually	2.99 2011	n/a	Data collection in process	n/a		n/a		n/a		n/a	
	<b>Definition:</b> Emission intensity as ratio of GHG emissions produced by Ukraine's economy to GDP <b>Justification:</b> Context indicator provided by the USAID Mission. This measures the average GHG emission rate from national economic activities. <b>Disaggregated By:</b> N/A													

<sup>1</sup> For all context indicators MERP expects a 4 to 7 month lag for FY required M&E Plan reporting of ACTUAL numbers. Municipalities, GOU entities are only available on a calendar year (CY) basis, NOT quarterly, and even then NOT UNTIL CY annual reports are released in March-April time frame. For international organizations' index data, we expect a lag of 12 months.



No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
0.4	Number of beneficiaries with improved energy services due to USG assistance	<b>Unit:</b> Number of people, in thousands <b>Sources:</b> Implementing partners: Energy companies / utilities; municipalities, Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion)	Annually	0	120	0* *Data collection in process	700		580		400		1,800	
	<b>Definition:</b> This is the number of people who benefit from improved energy services due to USAID assistance. Illustrative examples of improved energy service include a new electricity connection, improved cook stoves, improved access to gas, increased number of hours of electricity service, reduced outages and reduced voltage fluctuations. <b>Justification:</b> This is standard indicator 4.4.1-31. The number of beneficiaries of USAID- assisted energy services indicates increased availability of energy for more rapid and sustained economic growth and social development. <b>Disaggregated By:</b> Geographical unit, gender													
Objective 1.0: Improved Energy Policies														
1.0.1	Index of environmental performance (context indicator)	<b>Unit:</b> Aggregate index based on 25 indicators <b>Sources:</b> Columbia University	Annually	49.01 Calculated in 2014 (2012 data)	n/a	Data collection in process	n/a		n/a		n/a		n/a	
	<b>Definition:</b> Environmental performance index based on the experience of the Yale Center for Environmental Law and Policy (YCELP) and the Center for International Earth Science Information Network (CIESIN) at Columbia University. "Index" as an aggregate of performance indicators, which generally implies conversion to common units (or a unitless scale) and weighted or unweighted aggregation, i.e., averaging, adding, or applying other mathematical operations. <b>Justification:</b> Context indicator provided by the USAID Mission. The strength of the EPI is in its expert consensus-based framework that identifies critical environmental policy issues and calculates scientifically rigorous metrics on a common and comparable scale. <b>Disaggregated By:</b> N/A													
1.0.2	Number of laws, policies, strategies, plans, agreements or regulations addressing climate change and or biodiversity conservation officially proposed, adopted, or implemented as a result of USG assistance	<b>Unit:</b> Number of documents <b>Sources:</b> Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Committees; Association of Ukrainian Cities; NECSRC; SAE	Annually	0	2	4	3		4		3		12	
	<b>Definition:</b> Laws, policies, strategies, plans, agreements or regulations include those measures developed to address climate change and/or biodiversity conservation issues. If a measure is not yet adopted, it must at least be formally proposed within an official government process to be reported. <b>Justification:</b> This is standard 4.8.2-28 that measures critical adoption of climate change laws, policies, strategies, regulations needed for municipal energy reform. Activities use this indicator to monitor achievement towards targets related to results statements of the adaptation results framework. USG programs aggregate data for this indicator to track progress of the global portfolio towards high-level outcomes of the adaptation pillar. <b>Disaggregated By:</b> Type of documents and their approval stage (based on legal score card)													

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Sub-objective 1.1 Legislation that supports CE/EE investments is in force														
1.1.1	Business Environment for Energy Index (context indicator)	<b>Unit:</b> Aggregate Index <b>Sources:</b> World Bank Group leads the preparation of the BEE index in close collaboration with other MDBs	Annually	Under development by WB	n/a	Data collection in process	n/a		n/a		n/a		n/a	
	<b>Definition:</b> Business Environment For Energy (BEE) Index (administered by Clean Investment Fund). The BEE index tracks policy indicators related to improving the business environment for investments in renewable energy, energy efficiency, and energy access in each country. <b>Justification:</b> Context indicator provided by the USAID Mission. The BEE index permits the analysis of the progress on enabling environment conditions for each country, as a benchmark for monitoring progress over time. <b>Disaggregated By:</b> N/A													
1.1.2	Number of policy reforms/ laws/ regulations/administrative procedures drafted and presented for public or stakeholder consultation to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance	<b>Unit:</b> Number of documents <b>Sources:</b> Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Subcommittee on Communal Services; Association of Ukrainian Cities; NECSRC; NERC	Annually	0	5	13	4		4		3		16	
	<b>Definition:</b> Number of reforms, regulations, and procedures drafted by USG implementers and discussed with local stakeholders <b>Justification:</b> This is standard 4.4.1-33 FAF indicator that measures critical adoption of policy/procedural improvements needed for sector reform. An improved enabling environment is essential for attracting investment and improving the sustainability of all energy services. <b>Disaggregated By:</b> Type of documents and their approval stage (based on legal score card)													
Intermediate result (outcome) 1.1.2.1 Advanced coordination of GOU and donors established														
1.1.2.1	Number of GOU Working Group meetings assisted by USG to support legal and regulatory municipal energy reforms	<b>Unit:</b> Number of Working Group meetings <b>Sources:</b> Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Subcommittee on Communal Services; Association of Ukrainian Cities; NECSRC	Semi-annually	0	8	17 (34)	8	10	8		6		30	
	<b>Definition:</b> Number of GOU WG meetings organized and assisted by the project experts to advance improvement of legal and regulatory environment of municipal energy reform. <b>Justification:</b> This is project level indicator measuring project efforts in coordinating GOU agencies in municipal energy reform. <b>Disaggregated By:</b> N/A													

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
1.1.2.2	Advanced e-based donor coordination platform developed and used to support municipal energy reform	<b>Unit:</b> Process indicator (S1-S4) <b>Sources:</b> Implementing partners; donors	Semi-annually	0	S1/S2	S1/S2	S3/S4	S3/S4	S4		S4		S4	
	<b>Definition:</b> E-based platform developed to support advanced donor coordination on municipal energy reform. Process indicator: S1 – concept developed; S2 – technically implemented; S3 – training organized; S4 – e-based tool is used <b>Justification:</b> Indicator of improved donor coordination with support of IT-tool. Support and facilitate exchange of agenda, legal and technical documents, public outreach materials and best practices <b>Disaggregated By:</b> N/A													
	Sub-objective 1.2 GOU implement a sound LEDS-REDS													
1.2.	Number of institutions with improved capacity to address climate change issues as a result of USG assistance	<b>Unit:</b> Number of entities <b>Sources:</b> Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada committees; professional associations; municipalities	Annually	0	8	7	8		7		2		25	
	<b>Definition:</b> Institutions with improved capacity to address climate change issues have new or increased ability to use new or different approaches, processes, strategies, or methodologies to mitigate and/or adapt to climate change. Measuring improved institutional capacity to address climate change, an initial baseline assessment of the targeted capacity and a post-intervention assessment. Relevant institutions include partner government or regional government institutions (such as ministries, departments, or commissions), private sector entities, local civil society organizations, and trade unions, among others. <b>Justification:</b> This is standard indicator 4.8.2-14 that measures government ability and improved capacity to implement LEDS-REDS <b>Disaggregated By:</b> Type of entities													
	Intermediate result (outcome) 1.2.1. Better understanding of GCC and LEDS-REDS issues													
1.2.1	Number of people receiving training in global climate change as a result of USG assistance	<b>Unit:</b> Number of people <b>Sources:</b> Implementing partners; GOU entities; municipalities; industry professionals and their associations	Semi-annually	0	200	256	200	174	300		300		1000	
	<b>Definition:</b> Training is defined as a learning activity for participants involving 1) a setting intended for teaching or transferring knowledge, skills, or attitudes; 2) formally designated instructors or lead persons; and 3) a defined curriculum, learning objectives, and outcomes. This indicator focuses on delivery of training that was made possible through full or partial funding from the USG. This could include provision of funds to pay teachers, providing hosting facilities, or other key contributions necessary to ensure training was delivered. <b>Justification:</b> This is standard 4.8.2-6 GCC indicator that measures increased knowledge on GCC and LEDS-REDS <b>Disaggregated:</b> Gender													

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate result (outcome) 1.2.2 Better use of analytical tools for LEDS-REDS														
1.2.2	Number of GOU and local government entities using TIMES-Ukraine model or MEIS for planning and projecting GHG emission reduction	<b>Unit:</b> Number of entities <b>Sources:</b> Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; municipalities SAEI; SAEI; implementing partners	Semi-annually	0	8	7	6	7	5		1		20	
	<b>Definition:</b> Number of national and local government entities trained on TIMES-Ukraine or MEIS and able to use model for LEDS-REDS, i.e., SEAPs <b>Justification:</b> Indicator of capacity building on TIMES-Ukraine at the GOU level and MEIS at the municipal level which ensures analytical support for LEDS-REDS <b>Disaggregated By:</b> Type of entities													
Sub-objective 1.3 GOU apply improved tariff methodologies and target household subsidies														
1.3.1	Number (and percentage) of GOU-regulated utility companies that apply cost-reflective, incentive-based tariff(s) as a result of USG assistance	<b>Unit:</b> Number of companies <b>Sources:</b> NECSRC, regulated utilities, associations of utilities, municipalities, implementing partners	Annually	0	0	0	0		10		90		100	
	<b>Definition:</b> Number of regulated utilities that applied cost-reflective methodology with incentive towards EE investments <b>Justification:</b> Indicator of introduction of cost-reflective tariffs that lead to EE investments in municipal utilities <b>Disaggregated By:</b> Geographic unit													
1.3.2	Percentage of Ukraine consumers served by GOU-regulated utilities that apply cost-reflective, incentive-based tariff(s) as a result of USG assistance	<b>Unit:</b> Percentage <b>Sources:</b> NECSRC, regulated utilities, associations of utilities, municipalities, implementing partners	Annually	0	0	0	0		2		18		20	
	<b>Definition:</b> Percentage of consumers served by regulated utilities that apply new cost reflective incentive based tariff methodology <b>Justification:</b> Indicator of introduction of cost-reflective tariffs that lead to better service to end-consumers <b>Disaggregated By:</b> Geographic unit													
Intermediate result (outcome) 1.3.2.1 Improved capacity of the Regulator and utilities on developing and using incentive tariffs and benchmarking methodologies														
1.3.2.1.1	Energy market Regulator's capacity as a result of USG assistance	<b>Unit:</b> Process indicator (S1-S4) <b>Sources:</b> NECSRC; municipal utilities; implementing partners	Semi-annually	0	S1/S2	S1/S2	S2/S3	S2	S3		S4		S4	
	<b>Definition:</b> National Energy and Communal Services Regulatory Commission improved its capacity to regulate utilities in accordance with the best international practices. Process indicator: S1 – OCA conducted to identify areas for improvement; S2 – Capacity Building Plan prepared and implemented; S3 – Regulatory Information Management System developed and operational; S4 – International Best practices transferred and used <b>Justification:</b> Indicator of capacity building for NECSRC; measures progress of improved regulatory capacity to support market reform <b>Disaggregated By:</b> N/A													
1.3.2.1.2	Transparent incentive based tariff methodologies developed and approved by National Regulator	<b>Unit:</b> Process indicator (S1-S4) <b>Sources:</b> NCCSMR; municipal utilities; implementing partners	Semi-annually	0	S1/S2	S1/S2	S2	S2	S3		S4		S4	
	<b>Definition:</b> Methodologies for cost-recovery incentive tariffs developed with assistance of USG programs. Capacity built for the Regulator, its regional offices and municipal utilities to use them. Process indicator: S1 – Methodologies developed and approved; S2 – Training and capacity building seminars provided; S3 - Methodologies tested on pilot utilities; S4 – Enforcement started <b>Justification:</b> Indicator of introduction and capacity building on new tariff and benchmarking methodologies needed to improve financial and operation performance of municipal utilities <b>Disaggregated:</b> N/A													

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate result (outcome) 1.3.2.2 Adverse effect of tariff increases on vulnerable population is mitigated														
1.3.2.2	Number of people that benefit from strengthened social policy and improved subsidies system (direct, means tested, monetized)	<b>Unit:</b> Number of people <b>Sources:</b> Implementing partners; Ministry of Labor; State Statistics Agency; municipalities	Semi-annually	0	5,000	2,000	10,000	1,089,600	20,000		25,000		60,000	
	<b>Definition:</b> Number of people in the cities involved in improved social safety-net protection program developed with USG assistance <b>Justification:</b> Indicator of improvement of subsidies system needed for enforcement of cost-recovery tariffs <b>Disaggregated By:</b> Geographic unit; gender													
	Sub-objective 1.4 GOU applies modern EE standards													
1.4	Number of EE and CE standards developed and approved by the GOU as a results of USG assistance	<b>Unit:</b> Number of documents <b>Sources:</b> Implementing partners; MinRegion; MinEconomy; SAAE; professional associations	Semi-annually	0	2	2	2	2	2		0		6	
	<b>Definition:</b> Number of EE and CE standards prepared and approved with USG assistance <b>Justification:</b> Indicator of improvement of energy standards in accordance with requirements of Energy Community <b>Disaggregated By:</b> N/A													
	Objective 2.0: Increased Energy Efficiency													
2.0	Energy saved as a result of USG assistance <sup>2</sup>	<b>Unit:</b> Million cubic meters of gas <b>Sources:</b> Implementing partners; GOU entities; municipalities; private partners; utilities; IFIs; commercial banks	Annually	0	0	0	70		83		113		266	
	<b>Definition:</b> Measures the amount of energy saved through efficiency or substitution measures indicated in SEAPs , LEDS-REDS sectorial strategies and implemented with USG assistance. It takes into account total savings over a 5-year project life. <b>Justification:</b> Indicator of energy saved from implementation of policy and project measures. <b>Disaggregated By:</b> Geographic unit													

<sup>2</sup> Indicator targets for Energy Saved use economic and energy price assumptions. If the economic situation changes dramatically (more than 20%, e.g., currency exchange rate), MERP will recommend revision of the proposed targets for this indicator.

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Sub-objective 2.1 Increased access to CE production and EE improvement services														
2..1	Number of CE/EE improvement projects prepared and implemented as a result of USG assistance	<b>Unit:</b> Number of projects <b>Sources:</b> Implementing partners; energy companies / utilities; municipalities, MinRegion, IFIs, commercial banks and private investors	Annually	0	0	0	6		5		4		15	
	<b>Definition:</b> Number of CE/EE projects prepared for IFIs, commercial banks, or private sector investments by project experts, including feasibility studies, business plans, technical specifications, tender documents <b>Justification:</b> Indicator that municipalities and utilities are moving forward productively in preparation of investment proposals and securing funding for making CE/EE improvements <b>Disaggregated By:</b> Geographic unit													
Intermediate result (outcome) 2.1.1 Sustainable energy planning and energy management introduced														
2.1.1.1	Number of low emissions development strategies developed as a result of USG assistance (LEDS, SEAP, other)	<b>Unit:</b> Number of plans <b>Sources:</b> Implementing partners; energy companies / utilities; municipalities	Semi-annually	0	6	3 (4 under development)	5	(8 under development)	4		0		15	
	<b>Definition:</b> Number of strategic action energy plans developed, completed and presented for approval in 15 cities (in accordance with Covenant of Mayors requirements) with Project assistance. <b>Justification:</b> Indicator that selects municipalities taking productive steps toward developing and implementing a long-term, economically efficient, and environmentally sustainable energy strategy, using where possible renewable energy sources. <b>Disaggregated By:</b> Geographic unit													
2.1.1.2	Number of cities involved in energy management as a result of USG assistance	<b>Unit:</b> Number of cities <b>Sources:</b> Implementing partners; municipalities and utilities	Semi-annually	0	6	7	5	8	4		0		15	
	<b>Definition:</b> Number of cities that developed and approved energy management systems based on ISO 50001. <b>Justification:</b> Indicator of energy management systems in the cities to sustain municipal energy reforms <b>Disaggregated By:</b> Geographic unit													
Sub-objective 2.2 Expanded opportunities for training in CE/EE														
2.2	Labor hours of training completed in technical energy fields supported by USG assistance	<b>Unit:</b> Number of labor-hours in training <b>Sources:</b> Implementing partners; GOU entities; municipalities; industry professionals and their associations	Annually	0	3,680	7,328	3,200		2,400		1,280		10,560	
	<b>Definition:</b> This indicator uses the following equation (number of training sessions x number of persons x number of hours) to express the number of USG-supported training hours that were completed by training participants. <b>Justification:</b> This is standard indicator 4.4.1-34. Indicator of capacity building to ensure future ability to reform and sustain the sector reforms. <b>Disaggregated By:</b> Type of person trained; type of training provided; gender													

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Intermediate result (outcome) 2.2.1 Local capacity to implement CE/EE initiatives through direct donor awards is improved														
2.2.1	Number of local organizations engaged in capacity building to prepare for receiving direct donor assistance	<b>Unit:</b> Number of organizations <b>Sources:</b> Implementing partners; municipalities; NGOs, industry professionals associations	Semi-annually	0	3	5	2	2	0		0		5	
	<b>Definition:</b> Number of local NGOs and professional associations involved in training on improved organizational, financial management, HR, and technical capacity to be qualified for USAID and other donor funding <b>Justification:</b> Indicator of capacity building for local NGOs and professional associations to ensure future ability to reform and sustain the sector reforms. <b>Disaggregated By:</b> Geographic unit													
Sub-objective 2.3 Increased public appreciation of EE benefits														
2.3	Public acceptance of energy Efficiency and clean energy measures as a result of USG assistance	<b>Unit of Measure:</b> Percentage of people <b>Sources:</b> Implementing partners; municipalities; industry professionals associations and CSOs; utilities; HOAs associations and Resource Centers	Annually	0	5	10	10		10		25		50	
	<b>Definition:</b> Percentage of people surveyed who express support of a shift to energy efficiency and clean energy measures <b>Justification:</b> Indicator of how USG assistance improved public awareness and support to municipal energy efficiency and clean energy measures in 15 partner cities <b>Disaggregated By:</b> Geographic unit; gender													
Intermediate result (outcome) 2.3.1 Targeted outreach campaign prepared and implemented														
2.3.1	Number of events undertaken to promote energy-efficient reforms and institutionalize a public participation process	<b>Unit:</b> Number of events <b>Sources:</b> Implementing partners; professional associations; municipalities; GOU entities	Semi-annually	0	8	12	15	10	7		8		30	
	<b>Definition:</b> Number of public events undertaken to promote energy-efficient reforms and institutionalize public participation processes. Includes public opinion surveys, conferences, round tables, high-level discussions, public hearings, public city councils, hearings and public information campaign activities. <b>Justification:</b> Indicator of how USG assistance support public events needed for official and public acceptance for municipal energy reform, i.e., CE/EE plans, programs and project cities <b>Disaggregated By:</b> Geographic unit													

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Objective 3.0: More Private Investment in Energy Sector														
3.0	Amount of investment leveraged in US dollars from private and public sources for climate change as a result of USG assistance	<b>Unit:</b> Millions of US Dollars <b>Sources:</b> Implementing partners; energy companies / utilities; investors; banks; IFIs; commercial banks	Annually	0	0	0	55		65		80		200	
	<b>Definition:</b> Funding leveraged, as a result of USAID assistance, for climate change programs, that support actions, activities, projects or programs that reduce or sequester GHGs or increase capacity to adapt to the impacts of climate variability and change. Funding may be leveraged from the public sector, e.g., other donors, or private sector financing, e.g., corporate investments, and must be additional to USG funds invested in a program and must advance the objectives established by the USG-supported program. Leveraged funds can include funding transferred to a common funding instrument, delivered in parallel or provided in-kind.													
	<b>Justification:</b> This is standard indicator 4.8.2-10. USG funds are intended to be catalytic and to have sustainable benefits. Sustained private investment is a positive indicator of a supportive enabling environment.													
	<b>Disaggregated By:</b> Geographic unit; investment / lending source													
Sub-objective 3.1 Reduced GHG emissions														
3.1	Quantity of GHG emissions reduced or sequestered as a result of USG assistance in energy, industry, urban, and or transport sectors <sup>3</sup>	<b>Unit:</b> 1000 metric tons of CO <sub>2</sub> equiv. <b>Sources:</b> Implementing partners; municipal utilities; municipalities; energy service companies	Annually	0	0	0	132		157		214		503	
	<b>Definition:</b> This indicator reports the quantity of greenhouse gas (GHG) emissions, estimated in metric tons of CO <sub>2</sub> -equivalent, reduced, sequestered, and/or avoided, as a result of USG activities, as compared to a baseline level of GHG emissions.													
	<b>Justification:</b> This is mandatory standard indicator 4.8-7. Indicator of GHG emission reduction resulting from all project activities.													
	<b>Disaggregated By:</b> N/A													
Intermediate result (outcome) 3.1.1 Based on improved GHG accounting, mitigation actions developed														
3.1.1.1	National Inventory System functioning in accordance with latest IPCC requirements	<b>Unit:</b> Process indicator (S1-S4) <b>Sources:</b> Implementing partners; SAEI; MinEcology	Semi-annually	0	S1	S2	S2	S2	S3		S4		S4	
	<b>Definition:</b> National Inventory System enhanced according to international best practices (IPCC requirements) with expansion to forecasting use and local customization, and deployed.													
	<b>Justification:</b> Proper accounting of GHG is a basis for GHG planning and mitigation. Process indicator: S1 – Gap analysis conducted; S2 – Recommendations prepared; S3 – Enhancement measures developed; S4 – Implementation started													
	<b>Disaggregated By:</b> N/A													
3.1.1.2	Number of climate change mitigation tools, technologies and methodologies developed and adopted as a result of USG assistance	<b>Unit:</b> Number of tools <b>Sources:</b> Ministry of Energy; Min-Region; Ministry of Environment; Ministry of Economy; municipalities, utilities; SAAE; SAEI; implementing partners	Semi-annually	0	0	0	2	1	4		4		10	
	<b>Definition:</b> Number of methodologies, technologies and tools developed to support CO <sub>2</sub> emission reduction plans and LEDS-REDS implementation													
	<b>Justification:</b> Indicator of development of enabling tools, i.e., methodologies and technologies, for implementation of LEDS-REDS at both national and local levels													
	<b>Disaggregated By:</b> Types of tools													

<sup>3</sup> Indicator targets for quantity of GHG emissions use economic and energy price assumptions. If the economic situation changes dramatically (more than 20%, e.g., currency exchange rate), MERP will recommend revision of the proposed targets for this indicator.



No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Sub-objective 3.2 Increased capacity to identify and use new funding for increasing EE and CE production at the municipal level														
3.2.1	Number of CE/EE loans (except DCA) prepared and executed as a result of USG assistance	<b>Unit:</b> Number of loans <b>Sources:</b> Implementing partners; IFIs, private investors, commercial banks	Annually	0	0	0	2		2		2		6	
	<b>Definition:</b> Number of loans for EE and CE projects prepared and executed with assistance of USG <b>Justification:</b> Indicator of attraction of commercial funding for CE and EE projects at the municipal level <b>Disaggregated By:</b> Geographic unit													
3.2.2	DCA utilization ratio including number of loans (for all DCA arrangements)	<b>Unit:</b> Ratio of value of loans issued under guarantee to total value of guaranteed portfolio, in percentage <b>Sources:</b> Implementing partners; Commercial banks	Annually	0	5	Under calculation	10		20		20		55	
	<b>Definition:</b> Measures utilization of DCA partial guarantee by the partner banks for financing of EE projects <b>Justification:</b> Indicator of utilization of DCA partial guarantee. Used for evaluation of efficiency of DCA program <b>Disaggregated By:</b> Geographic unit													
Intermediate result 3.2.2.1 New financial mechanisms developed and implemented at the municipal level														
3.2.2.1	Number of financial mechanisms developed with USG assistance	<b>Unit:</b> Number of mechanisms <b>Sources:</b> Implementing partners; ESCOs, private investors, municipalities	Semi-annually	0	0	0	2	0	2		2		6	
	<b>Definition:</b> Number of new financial mechanisms prepared and used at the municipal level. It includes concept papers, due diligence documents, and agreements for ESCOs/EPCs, GDAs, PPPs, others for financing of CE/EE projects <b>Justification:</b> Indicator of extension of financial mechanisms for CE/EE projects <b>Disaggregated By:</b> Geographic unit; type of mechanisms													
3.2.2.2	Number (and percentage) of GOU-regulated utility companies that achieve or pass the break-even point as a result of USG assistance	<b>Unit:</b> Number of utility companies <b>Sources:</b> Implementing partners; ESCOs, private investors, municipalities	Annually	0	0	0	10		180		210		233	
	<b>Definition:</b> Number of utilities that improved their financial performance as a result of introduction of cost recovery tariffs and participation in capacity building events organized with USG assistance <b>Justification:</b> Indicator of improved financial performance of utilities resulted from tariff increase and improved business operation, i.e., implementation of EE investment programs cutting losses <b>Disaggregated By:</b> Geographic unit													

## C.5 COSTS

### Summary of project expenditures versus funding

Activity	Ukraine Municipal Energy Reform (MER)	
Task Orders	9	
Task Order COR	Andriy Nesterenko/Maria Garastovskaya/Anna Bogdanova	
Start Date	27 Sep 2013	
End Date	29 Sep 2017	
Task Order Ceiling Price	\$14,496,928	MOD #3, April 2015, increased total
Total Obligated Toward Ceiling	\$ 7,000,000	
Task Order Ceiling Remaining	\$ 7,496,928	ceiling minus obligated
Programmed	\$ 7,000,000	
Total Disbursed (invoiced)	\$ 4,540,394	invoiced as of 03/31/2015
Accruals (cumulative)	\$ 946,660	through 03/31/2015
Pipeline Balance	\$ 1,512,945	obligated funds minus expended funds minus accruals
Un-programmed Funds	\$ 0	total obligated minus total programmed
Grants Disbursed	\$ 680,327	cumulative as of 06/23/2015

## D. SCHEDULES

The significant restructuring of GOU agencies and increased GOU attention to the war in Eastern Ukraine affected implementation schedules at the national and local levels. Due to the general political and economic crisis in the country, some activities were delayed for a one or two month period.

Due to GOU instability and the liquidation of both the National Communal Services Regulatory Commission (NCSRC) and the State Environmental Investment Agency (SEIA), the completion of some Milestones was delayed.

In addition, the politically unstable situation in the GOU and Verkhovna Rada delayed the approval of key CE legislation and regulations developed with Project assistance. Approval of priority CE policies and legislation (bills on EE in buildings, metering, and the energy regulator, as well as the Draft National Action Plan on EE) is still pending.

## E. PROBLEMS

Most problems are related to the overall unstable social and political situation in Ukraine. There have been a number of significant political and social events that caused continual political instability in all of the GOU counterparts that USAID MERP assists. Despite the huge disruption and non-functionality of the GOU, ministries, and state agencies upon whose actions many MERP activities and accomplishments depend, the Project continued to work with good effect through cooperative ministries, working groups, and Verkhovna Rada committees.

Ukraine's economy experienced significant difficulties. Investors see the country as a high risk. This negatively impacts attraction of investment in energy efficiency and clean energy projects. Thus, MERP suggested that performance indicator targets for FY2015 on investment attraction in EE and CE projects be revised.

# F. PLANS

## Activity 1 - Planned Activities in Quarter 8

- Assist GOU High Level Working Group, led by VPM on implementation of GOU reform agenda on EE and RE.
- Assist GOU in implementation of the National Action Plan on RE by developing sub-laws, incentive mechanisms, and methodologies.
- Assist GOU in approval and implementation of the National Action Plan on EE by developing sub-laws, incentive mechanisms, and methodologies.
- Provide regular assistance to the MinRegion Expert Groups related to initiation and development of legal and regulatory documents on municipal EE.
- Assist MinRegion and SAE in implementation of Comprehensive Action Plan of substitution of natural gas by local alternative fuels.
- Strengthen donor coordination on municipal EE and RE reforms with support of e-based donor coordination platform.
- In coordination with EBRD, assistance on development of sub laws needed for implementation of ESCO legal package.
- In coordination with EU and EBRD, support MinRegion in adoption of Draft Law on Energy Efficiency in Buildings by the Rada.
- Develop a New Model Homeowners' Association Charter according to the amended legislation.
- Assist in development of sub-laws and regulations on HOAs and housing management needed to support end-use energy efficiency.
- Assist Verkhovna Rada committees on adoption of the Draft Law on Metering.
- Assist Verkhovna Rada committees on adoption of amendments to housing and communal services legislation related to the introduction of mandatory metering.
- Organize presentations and public discussions of the draft legislation/regulations with industry specialists, associations, and NGOs.
- Based on assessment of training needs, conduct training seminars for NECSRC (licensees when determined as necessary) on the areas of capacity building according to the agreed curriculum.
- Develop amendments to the procedures for drafting, coordination and approval of the investment programs.
- Develop and support approval of the Concept of communal services quality by the GOU. Develop legal and regulatory acts on implementation of said Concept.
- Provide analysis of the effective normative and legal framework on monitoring quality of services in the electricity sector; development of recommendations on extension of its application to all sectors of heat supply, district water supply and sewage.

- Provide assistance to NECSRC with developing mechanisms on service quality assurance in the new tariff model. Develop recommendations on incorporation of special issues (such as reduction of losses, penalties for gas and electricity of licensees, foreign exchange risks) in the tariff model.
- Improve the current tariff calculation system and regulations governing setting tariffs for thermal energy produced from nontraditional and renewable energy sources.
- Develop an assets valuation methodology for natural monopolies in the DH and water & waste water sectors (as regards identification of aggregated values indicators).
- Assist NECSRC in the gradual introduction of RAB incentive tariff regulation for heating and water utilities.
- Assist NECSRC in establishment of the transparent system of tariff setting and regulatory decision making.
- Assist in preparation of the tools for assessment and forecasting of economic affordability of communal services.
- Develop and test the methodology for interviewing consumers in order to identify their readiness to pay for the housing and communal services.
- Test new regulatory reporting forms for compliance with accounting principles at 10 pilot utilities.
- Develop methodological recommendations on accounting for licensed types of activities, and their approval by the Ministry of Finance or by its institutes.
- Assist NECSRC in training seminars for Regional Offices and utilities to build capacity for applying new regulatory reporting according to the agreed training curriculum.
- Conduct data analysis, applying different methods of economic analysis (clustering licensees in the water & wastewater sector), performance analysis in the water & wastewater sector.
- Develop recommendations on initial data collection for benchmarking purposes.
- Develop a mechanism for using benchmarking indicators based on analysis of best international practices. Train NECSRC staff (including its Regional Offices) on introduction of the benchmarking system.
- Enhance coordination on social protection of low-income consumers with the WB team and GOU working groups on social protection.
- Provide training for local social protection offices on the new social protection mechanisms.
- Organize data collection in the partner cities and regional offices of social protection on efficiency of new system of subsidies.
- Develop the Concept Paper for transition to the monetized targeted assistance to consumers of housing and utility services.
- Develop recommendations on improvement of the system of privileges granted for payment of utility bills.
- Organize round table discussions with the GOU on the efficiency of the new subsidies system and the changes recommended to the system of privileges.

- In coordination with EBRD and GIZ, assist GOU Technical Committees in reviewing and approving EE standards.
- Assist SAEI in development of enforcement action and documents for implementation of energy management systems as per ISO50001.
- Support the Certified Energy Manager program based on the US AEE training curriculum.
- Develop new energy standards. Assist MinRegion in review and discussion of new energy standards.
- Maintain regular coordination on PR activities with MinRegion PR WG, CabMin, donors, GOU Committee of Reforms, and USAID OTI.
- Cooperate with advertising agencies to develop design of outdoor and video PSAs, advertisements for social media and other information materials.
- Develop information materials (including video PSA) on the need to bring tariffs to an economically grounded level (understanding these steps is a guarantee of effective work of communal enterprises) and social protection measures for low-income consumers.
- Conduct targeted outreach to low-income residents and vulnerable groups in support of Ukraine's tariff regulation reform and social safety net.
- For the media, hold expert energy briefings, followed by training, on the range of story options including social issues, EE lifestyle, alternative energy resources, HOAs and tariff reform.
- Promote all topics through social media, MERP and partners' web sites and FB pages. Support media programming (on TV and radio) promoting the themes of CE/EE; explain changes related to tariff reform and the social safety net.
- Disseminate a range of information related to CE/EE, social safety net and tariff reform through TV and radio media round tables/expert opinions, call-in shows, analytical articles in electronic and printed media.
- Cooperate with local HOA Resource Centers, Communal Service Enterprises, Regional Social Protection Offices, AUC regional offices and Bibliomist Project on distribution of materials among Ukrainian municipal residents.
- Cooperate with manufacturers of EE materials and equipment, such as Henkel, Danfoss, Rehau and Vekka, to set up information and exhibition corners at HOA/CE Resource Centers and libraries. Cooperate with USAID Bibliomist project to serve as public education centers for effective EE technologies and measures.
- Hold joint training session with Bibliomist project to educate interested librarians on issues related to CE/EE to involve libraries into energy education reform.
- Widely support outreach campaign through the range of activities in the partner-cities, such as Energy Efficiency Days, USAID Field Days, Sustainable Energy Weeks or public hearings.
- Develop range of materials and educate citizens on the benefits of ownership (Condominium development) as a primary motivating force for saving energy in HOAs through support of pilot Community Based Marketing Campaign in Lviv.

## Activity 2 - Planned Activities in Quarter 8

- Prepare technical specifications and conduct training of PIU for first group of cities.
- Prepare business plans in IFI formats for CE investment projects.
- Assist municipalities with presentations of business plans to IFIs and other investors with ongoing assistance to municipalities until a loan is issued.
- Assist Clean Energy Advisory Centers with legal, technical, economic, ecological and other key issues (information and methodological assistance).
- Organize three training seminars for partner cities from the second group on SEAP development.
- Prepare SEAPs and present them to key stakeholders.
- Engage local civil society organizations in the review and discussion of SEAPs.
- Train second group cities on preparation of bankable investment proposals.
- Provide assistance and capacity building to PIUs on international procurement in the second group of cities.
- Organize dissemination of this experience to other cities in the region through round tables, webinars and other dissemination tools.
- Continue assistance to Bank Lviv on utilization of USAID DCA for energy efficiency by providing training to relevant bank departments.
- Conduct training seminars and round tables for HOAs and SMEs on end-use energy efficiency to grow demand for commercial lending from Bank Lviv.
- Monitor the utilization rate of USAD DCA with Bank Lviv and provide recommendations on its improvement.
- Assist USAID in discussions with the bank selected for new DCA.
- In cooperation with EBRD, develop an ESCO concept for 2 municipalities.
- Assist with investment attraction and implementation of municipal ESCO EPCs.
- Assist in preparation of legal and financial documentation needed for implementation of EPCs.
- Assess willingness of cities on CE PPP projects.
- Prepare pre-feasibility studies for bio-fuel projects.
- Develop the Concept of CE PPP projects and discuss it with key stakeholders.
- Initiate development of a set of documents needed to implement CE PPP projects.
- Establish regular coordination on PR activities with MinRegion PR WG, donors, GOU Committee of Reforms, CabMin, and USAID OTI.
- Hold periodic Working Group Meetings on Communication Issues to adjust information strategy and assure its successful implementation in the cities.



- Assure multifaceted public awareness campaign on EE/alternative energy through development as well as distribution/promotion of targeted information materials in MERP partner cities.
- Develop condensed versions of of pilot city SEAPs to be discussed with the population before and during public hearings.
- In targeted public outreach events in the cities, include Energy Efficiency Days, contests on EE best practices, other public events and distribution of relevant information materials including placements of PSAs.
- Promote the themes of EE/Alternative Energy; explain changes related to tariff reform through TV and radio media round tables/expert opinions, call in shows; place analytical articles in electronic and printed media.
- Conduct public hearings on SEAPs to involve the general public in discussions about priority areas of EE in MERP pilot cities.
- Support partners' web sites and dissemination of best practices.

### **Activity 3 - Planned Activities in Quarter 8**

- Based on CBPs, assist local partners to improve organizational procedures and practices, e.g., accounting, financing, procurement, reporting and branding, to meet eligibility criteria for direct USAID awards.
- Work with the NGO Renewable Energy Agency to prepare it for a Non-US Organization Pre-award Survey (NUPAS).
- Conduct joint USAID-IRG certification of eligibility for at least one local NGO.
- Provide technical assistance to the chosen local NGO to rectify deficiencies identified in the NUPAS to ensure compliance with USAID criteria.
- Prepare a report on capacity building activities.
- Develop a methodology (approach) and work plan for anti-corruption activities; identify local and national partners.
- Conduct coordination meetings with key partners, including civil society groups, anti-corruption 'watchdog' organizations and investigative journalists.
- Create local (city level) anti-corruption coalitions involving civil society, creation of networks and social media groups.
- Conduct training on anti-corruption for local civil society representatives and journalists.
- Support collection, analysis, publication and distribution of information on anti-corruption; disclose information to the public.
- Conduct local press clubs, presentations and discussions aimed at advocating transparency and disclosure in the energy sector.

#### Activity 4 - Planned Activities in Quarter 8

- Establish LEDS Implementation Working Group and conduct regular meetings in order to monitor and update implementation of the Work Plan.
- Prepare a training curriculum on EC LEDS and build institutional capacities on LEDS policy planning and implementation of LEDS inter-agency and intra-agency working groups.
- Support development of Intended Nationally Determined Contributions (INDCs). Conduct a process of broad stakeholder consultations in accordance with best international practices.
- Assist GOU WGs with development of the EC LEDS Action Plan.
- Provide on-going National GHG Inventory System inter-agency coordination support.
- Further develop draft MRV regulations and propose them for a broad stakeholder consultation process on both national and regional levels.
- Develop draft KPIs for LEDS development and implementation in Ukraine.
- Incorporate LEDS issues into relevant RE/EE policy and regulation documents.
- Advise and support state bodies, high-level working groups, members of the Verkhovna Rada and state committees on climate change issues and inclusion of climate change into their agendas.
- Provide on-going technical and administrative support to the Ministry of Ecology on climate change international activities.
- Support development of the Draft Law on Climate Change Strategy, and present it to expert and state officials. Conduct a broad stakeholder consultation process in accordance with best international practices. Finalize and propose a draft policy paper for adoption.
- Support GOU working groups in drafting relevant legislation for LEDS.
- Support quarterly meetings of GOU on implementation of UNFCCC Provisions, and assist members of the Commission with preparation and follow-up of the meetings.
- Prepare policies and programs for LEDS project specifications/guidelines and financing mechanisms.
- Operationalize the LEDS database, and provide continuous technical support for it.
- Prepare a study tour in the US on LEDS to learn best international practices.

# ATTACHMENT 1

During the reporting period, implementation of MERP was based on the Municipal Energy Reform Project Work Plan for Project Year Two, updated in accordance with Contract Modification #3, which is provided here as ATTACHMENT 1. The updated Annual Work Plan was submitted to USAID COR for approval at the end of May 2015.

The updated Annual Work Plan covers all Activities and Tasks of the Project. The right hand column called “Milestones” lists all Project milestones scheduled to be accomplished in Year Two.



**USAID**  
FROM THE AMERICAN PEOPLE

# MUNICIPAL ENERGY REFORM IN UKRAINE

## **MUNICIPAL ENERGY REFORM PROJECT WORK PLAN FOR PROJECT YEAR TWO**

(as per Contract Modification #3)

May 22, 2015

This document was produced for review by the United States Agency for International Development.  
It was prepared by IRG.

## YEAR 2 WORK PLAN NARRATIVE

### OVERALL APPROACH

The objective of the project is to enhance Ukraine's energy security by implementing municipal energy reform with a focus on CE, EE, and GHG emissions reduction. MERP will assist GOU and partner cities on approval and implementation of the key reform measures during Year 2.

Under **Activity 1**, we will continue our support to the GOU and the Rada to approve key legislation related to municipal energy reform. The GOU and Presidential Administration developed and approved National Sustainable Development of Ukraine 2020. The Plan has 62 reform measures including energy reforms. The Plan aims to increase energy efficiency and to substitute imported Russian gas by local alternative fuels. MERP will assist GOU and Rada Committees in developing, approving, and implementing key legislations such as ESCO legislation, Draft Law on Energy Efficiency in Buildings, metering legislation, HOA legislation, Draft Law on Independent Energy and Communal Services Regulation, and other clean energy legislations. These legal and regulatory changes will ensure energy independence of Ukraine and will comply with EU Energy Community Treaty requirements. Based on implementation of an e-based platform, we will advance donor coordination to ensure synergy of donors' efforts in municipal energy reforms.

MERP will continue assistance to the MinRegion and the State Agency for Energy Efficiency (SAEE) in developing energy standards during the second Project year. MERP will also provide support and advocacy for GOU agencies to approve and implement energy standards developed under Year 1 of the Project.

In close cooperation with the WB/SIDA and EBRD, we will continue to support the National Energy and Communal Services Regulatory Commission (NECSRC) on tariff regulations according to the best international practices. Our experts will conduct an Assessment of Training Needs for the Regulatory Commission and will build capacity of the Regulatory Commission and utilities on key regulatory principles. MERP experts will assist NECSRC on introduction of incentive tariff regulation. This work will start with revaluation of assets of municipal utilities that are a pre-requisite for incentive tariff regulation. Our experts will assist NECSRC in implementation of new regulatory accounting system and introduction of a reliable benchmarking system, as well as new monitoring system of quality of services.

In close cooperation with WB social assistance team, our experts will continue assistance to the Ministry of Social Policy to enforce GOU Resolution on new system of subsidies to low-income consumers and new system of social norms for communal services (both developed with MERP assistance). In close coordination with donors and GOU agencies, MERP will conduct Public Information Campaign focused on two priority areas:

- Public messaging and education on social safety net, including developing and disseminate information on availability, eligibility criteria, and application process for the subsidies; building public understanding of new social safety net programs designed to help vulnerable populations;
- National public awareness activities to support energy reforms, and promote energy efficiency, energy conservation and renewable energy.

Under **Activity 2**, the IRG team will continue support to the partner cities on strategic energy action planning (SEAP) in compliance with European Covenant of Mayors (CoM). Our work in the cities started with development of a cooperation strategy endorsed by IFIs and USAID. Seventeen partner cities were selected in accordance with IFIs' lending strategies/portfolios to ensure a stream of investments in municipal energy efficiency and clean energy projects. During the Year 1, MERP was instrumental in assisting seven partner cities on SEAP development.

During Year 2, MERP will provide assistance to the second group of partner cities on SEAP development. The MERP team will pursue traditional financing sources as well as carbon credit sales and EE investment/savings accounts to provide tailored financing for municipal infrastructure investments. Our team will establish close cooperation with IFIs to support their programs with cities. Our experts will assist cities/utilities in establishment of PIUs and preparation of tender documents/technical specifications in accordance with the best international practices.

We will continue supporting Bank Lviv to increase use of DCA partial guarantee. MERP will assist USAID with DCA to other commercial banks interested in energy efficiency and clean energy lending.

Education and outreach are critical to all tasks. Based on the MinRegion National Information Plan, MERP will continue a targeted information campaign in the partner cities in close cooperation with other donors and USAID projects (for example OTI). MERP team will use targeted communication tools to better inform local society – from energy professionals to consumers, from local universities to the media. Our experts will create and deliver targeted messages to educate and advocate for reform in the selected municipalities.

**Activity 3** focuses on capacity building of NGOs and government entities to ensure sustainability of Project results and meeting USAID Forward goals. During Year 1, MERP team, in close coordination with USAID, selected candidate NGOs, implemented Organizational Capacity Assessments (OCAs) and developed Capacity Building plans for those organizations. During Year 2, MERP will continue training them in key areas identified in their Capacity Building Plans to ensure they meet USAID eligibility criteria for direct awards. MERP will organize RFA and will issue small grants for these organizations to support municipal energy reforms. **MERP will coordinate efforts of local NGOs on establishment of anti-corruption coalition in municipal energy sector.**

**Activity 4** focuses on EC-LEDS to support GCC initiatives and GHG emissions reduction. The project experts will assist the GOU in meeting LEDS milestones such as establishment of interagency coordination unit **on LEDS and developing EC LEDS Work Plan.**

Based on the achievement of these milestones, MERP will assist various GOU working groups on EC LEDS. **It is expected that during Year 2, IRG and its sub-contractors will provide capacity building on EC LEDS and will help improving LEDS infrastructure such as MRV, GHG Inventory, and use of analytical tool TIMES-Ukraine for macroeconomic forecasting.**

## **RESULTS, TARGETS, MILESTONES, AND DELIVERABLES**

Expected results are shown in the Project Performance Monitoring and Evaluation Plan. The MERP milestones and deliverables to be achieved through implementation of Year 2 Project activities are summarized in the Work Plan table, following this Narrative. The most critical milestones for Year 2 are:

- GOU National Action Plans on EE and RE approved and implementation started
- Improved donor coordination to support key legal and regulatory changes in municipal energy sector

- Key municipal EE and RE legislation and standards developed and approved by the Rada
- Cost-recovery tariffs stimulate investments in municipal EE and RE projects
- New system of social subsidies to low-income consumers operational
- Public Communication, Messaging and Outreach Concept and an Action Plan approved by USAID
- Public messaging and education on social safety net conducted
- National public awareness campaign to promote energy efficiency, energy conservation and renewable energy, implemented
- SEAPs of the first group of cities approved by the city authorities, submitted to EU
- IFIs financing attracted in the first group of cities
- Institutional basis and capacity built for SEAPs in second group of cities.
- SEAPs of the second group developed and discussed with local communities.
- Energy Management Systems established in partner cities
- Four grants of MERP awarded to local NGOs involved in municipal energy reform
- NGO certification of eligibility conducted for direct grants of USAID
- Local anti-corruption coalitions established, improved transparency and disclosure supported
- EC LEDS capacity built for GOU agencies
- Key LEDS infrastructure (MRV, National Inventories) developed and improved
- Concept of Climate Change Strategy (including LEDS elements) developed
- Full operation of TIMES-Ukraine climate change and GHG modeling
- INDC goals established
- LEDS Database prepared

## TIMELINE

MERP is a four-year contract that officially began on September 27, 2013. The timeline for Year 2 is presented in the Gantt chart section following the Work Plan table. The Gantt chart delineates a timeline of activities, milestones, deliverables, and expected results.

... - updated activities    ... - new activities

## MERP IN UKRAINE

### WORK PLAN FOR PROJECT YEAR TWO, AS PER CONTRACT MODIFICATION #3

	VER: 1	MAY 22, 2015
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<b>Activity 1: Improve Clean Energy Regulatory And Legislative Enabling Environment</b> <b>Expected results: Critical reform legislation is developed and supported by key stakeholders; Overall clean energy enabling environment is improved; The National Energy and Communal Services Regulation Commission's capacity for effective, transparent and socially-responsible regulation is improved; Cost-reflective, incentive-based tariff regulation is applied in Ukraine; Adverse effect of tariff increases on vulnerable population is mitigated; National public information and awareness campaign conducted to support reform measures</b>					
Task Activities	Lead	Support	Implementation Dates	Outcomes / Deliverables / Results	Milestone / Comments
<b>Task 1.1 Developing Enabling Legislative and Policy Environment</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Passage of key draft laws and sub-laws needed for MER implementation; donor coordination platform improved and supportive to reforms.</b>	<b>Coordinated donor support leads to approval of key policy and legislative documents on municipal EE and RE</b>
Assist GOU High Level Working Group on implementation of GOU reform agenda on EE and RE	IRG	STTAs, JurEnerg, MDI	October 1, 2014 – September 30, 2015	Analytical documents, assessment reports, comments and recommendations on GOU legal and regulatory acts	
Assist GOU in implementation of the National Action Plan on RE by developing sub-laws, incentive mechanisms, and methodologies	IRG	JurEnerg, Association of Biomass	January 1 – September 30, 2015	Draft documents, assessment reports, and materials on RE	
Assist GOU in review, approval implementation of the National Action Plan on EE by developing sub-laws, incentive mechanisms, and methodologies	IRG	JurEnerg, local EE associations, STTAs	January 1 – August 30, 2015	Draft documents, assessment reports, and materials on EE	<b>M 1.1.1 Implementation started of GOU National Action Plans on EE and RE</b>
Provide regular assistance to the MinRegion Expert Groups related to initiation and development of legal and regulatory documents on municipal EE	IRG	STTAs, JurEnerg, MDI	October 1, 2014 – September 30, 2015	Analytical documents, assessment reports, comments and recommendations on MinRegion legal and regulatory acts	
Provide regular assistance to the Verkhovna	IRG	MDI, OPORA	October 1, 2014 –	Minutes of meetings, recommendations, draft laws	



Rada Committee on Housing and Communal Services in development of draft laws on HOAs and housing management needed to support end-use energy efficiency			May 31, 2015		
Assist MinRegion and SAEE in implementation of Comprehensive Action Plan of substitution of natural gas by local alternative fuels	IRG	JurEnerg, STTAs	October 1, 2014 – July 30, 2015	Assessments, reports, and recommendations on technical documents and materials related to substitution of natural gas	
Strengthen donor coordination on municipal EE and RE reforms with support of e-based donor coordination platform	IRG	STTAs	October 1, 2014 – August 30, 2015	Minutes of donor meetings, support letters and analysis	<b>M 1.1.2 Improved donor coordination to support key legal and regulatory changes in municipal energy sector</b>
In coordination with EBRD and IBSE, support MinRegion in adoption of ESCO legislation by the Rada	IRG	JurEnerg, OPORA	October 1, 2014 – April 30, 2015	ESCO legislation adopted by the Rada	
In coordination with EBRD, assistance on development of sub laws needed for implementation of ESCO legal package	IRG	JurEnerg, STTAs	May 1 – September 30, 2015	ESCO sub laws drafted	
In coordination with EU and EBRD, support MinRegion in adoption of Draft Law on Energy Efficiency in Buildings by the Rada	IRG	JurEnerg	October 1, 2014 – August 30, 2015	Law on Energy Efficiency in Buildings adopted by the Rada	
In coordination with IFC, support adoption of HOAs and housing management legislation in the Rada	IRG	MDI, OPORA	October 1, 2014 – May 31, 2015	Law “On peculiarities of the right of ownership in a multi-family residential building” adopted by the Rada  Law “On Multi-Apartment Buildings Management” (or amendments to Law “On Housing and Communal Services”) adopted by the Rada	
Develop a New Model Homeowners’ Association Charter according to the amended legislation	IRG	MDI	June 1, 2015 – September 30, 2015	Draft of a new Model Homeowners’ Association Charter developed and submitted to MinRegion	
Assist in development of sub-laws and regulations on HOAs and housing management needed to support end-use energy efficiency	IRG	MDI	January 1, 2015 – September 30, 2015	Draft resolutions and regulations of GOU entities, including draft model contracts	
In coordination with public platform “Reanimation Package of Reforms” and MinRegion update Draft Law on Metering	IRG	JurEnerg, OPORA	October 1 – December 30, 2014	Draft law on metering prepared and discussed with key stakeholders	

Assist Rada Committees on adoption of the Draft Law on Metering	IRG	JurEnerg, OPORA	January 1 – August 30, 2015	Draft law on metering approved by the Rada	
Assist GOU in amending legislation to mitigate legal collisions resulted from adoption of the Law 1198	IRG	JurEnerg, OPORA, MDI	January 1, 2015 – August 30, 2015	Draft sub-laws prepared and discussed with key stakeholders	
Assist Rada Committees on adoption of amendments to housing and communal services legislation related to introduction of mandatory metering	IRG	JurEnerg, OPORA, MDI	October 1, 2014 – August 30, 2015	Draft law with amendments to housing and communal services legislation adopted by the Rada	<b>M 1.1.3 Key municipal EE and RE legislation developed and approved by the Rada</b>
Organize presentations and public discussions of the draft legislation/regulations with industry specialists, associations, and NGOs	IRG	OPORA, MDI, JurEnerg	October 1, 2014 – September 30, 2015	Materials and presentations from public events.	
<b>Task 1.2 Assistance to the National Energy and Communal Services Regulatory Commission (NECSRC)</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Capacity built to NECSRC, its regional regulatory offices and utility companies; improved tariff setting methodologies and incentive-based, cost-reflective tariffs</b>	<b>NECSRC operates according to the best international regulatory practices</b>
<b>Sub-task 1.2.1 Needs Assessment for Assistance to the National Energy and Communal Services Regulatory Commission (NECSRC)</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Needs Assessment conducted. Areas of assistance identified and agreed with NECSRC</b>	<b>Annual Work Plan for agreed and signed with NECSRC</b>
Assess assistance needs of the NECSRC	IRG	MDI, JurEnerg	December 1, 2014 – January 15, 2015	Memo of meetings with NECSRC	
Identify areas of cooperation and prepare Annual Work Plan with NECSRC	IRG	MDI, JurEnerg	January 15 – 30, 2015	Annual Work Plan with NECSRC prepared	<b>M 1.2.1.1 Annual Work Plan developed and agreed with NECSRC</b>
Assess training needs of the Commission Head Office	IRG	MDI, STTAs	January 15, 2015 – February 28, 2015	Assessment of training needs done (Memo)	
Agree with the Commission on the areas of capacity building	IRG	MDI, STTAs	March 1 - 30, 2015	List of areas for capacity building of the Commission prepared.	
Prepare training curriculum for capacity building seminars to the Commission	IRG	MDI, STTAs	March 30, 2015	Training curriculum prepared (including workshops, seminars, round tables in Ukraine and abroad when determined as necessary).	<b>M 1.2.1.2 Capacity Building Plan developed and agreed with NECSRC</b>

<b>Sub-task 1.2.2 Capacity Building</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>High regulatory standards of the Commission developed; 'case-study' curriculum developed, as well as Commission training of utility staffs</b>	<b>NECSRC capacity built to support their functioning according to the best international practices</b>
Conduct coaching sessions for top management of NECSRC on principles of regulation and other key issues	IRG	MDI, STTAs	October 1, 2014 – February 20, 2015	10 coaching sessions conducted. Training materials, presentations prepared.	
Based on assessment of training needs conduct training seminars for NECSRC (licensees when determined as necessary) on the areas of capacity building according to the agreed curriculum	IRG	MDI, STTAs	May 15, 2015 – September 30, 2015	Seminars prepared. Training materials.	
Conducting events for experience exchange (internship abroad, trainings in the international schools for regulators, initiation and implementation of bilateral partnerships with other regulators in the international associations)	IRG	IRG	October 1, 2014 – September 30, 2015	Reports on international exchanges and trainings prepared	<b>M 1.2.2.3 Capacity of NECSRC improved</b>
<b>Sub-task 1.2.3 Improving Heat Tariff Setting</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Approval of new incentive based tariffs; Commission ensuring quality and accessibility of communal services for end users; best practice Cost of Service concept and methodology introduced and implemented; eliminated inappropriate customer-class cross-subsidies.</b>	<b>Cost-recovery tariffs ensure quality services and support investments in municipal EE and RE</b>
In coordination with WB/SIDA and EBRD, assist NECSRC on improvement of investment methodology	IRG	JurEnergio	October 1, 2014 – March 30, 2015	Investment methodology modified and concurred with NECSRC	
Development of amendments to the procedures for drafting, coordination and approval of the investment programs.	IRG	JurEnergio	October 1, 2014 – July 30, 2015	Amendments to the procedures for drafting, coordination and approval of the investment programs developed	<b>M 1.2.3.1 Improved investment methodology</b>
Develop and support approval of the Concept of communal services quality by the GOU. Develop legal and regulatory acts on implementation of Concept of communal services quality	IRG	JurEnergio	January 1 – September 30, 2015	GOU Resolution on Concept of communal services approved  Legislative acts on implementation of Concept of communal services quality prepared and discussed with key stakeholders	

Develop a service quality monitoring methodology	IRG	MDI, STTAs	October 1, 2014 – April 30, 2015	Report with Methodology of service quality monitoring prepared (including methods of assessment, system of indicators, informational support etc.)	
Analysis of the effective normative and legal framework on monitoring of quality of services in the electricity sector, and development of recommendations on extension of its application to all sectors of heat supply, district water supply and sewage	IRG	JurEnerg	July 1, 2015 – August 30, 2015	Report with the results of analysis prepared. Recommendations developed.	
Provide assistance to NECSRC with developing mechanisms on service quality assurance in the new tariff model  Develop recommendations on incorporation of special issues (such as reduction of losses, penalties for gas and electricity of licensees, foreign exchange risks, etc.) in the tariff model	IRG	MDI, STTAs	April 1, 2015 – September 30, 2015	First draft of the Report with recommendations on service quality assurance and other special issues in the new tariff model prepared (including analyses of international experience and its applicability for different tariff systems)	<b>M 1.2.3.2 Quality of Services enacted by NECSRC</b>
Improve current tariff calculation system and regulations governing setting tariffs for heat energy produced from nontraditional and renewable energy	IRG	MDI	February 1, 2015 – July 30, 2015	Amendments/changes/comments to the drafts of the Regulator's resolutions on tariff calculation and setting tariffs for heat energy produced from nontraditional and renewable sources of energy prepared (NERC Resolutions #896, #897 and # 898 adopted in 2005)	
Develop the assets valuation methodology for natural monopolies in DH and Water/Waste water sectors (as regards identification of aggregated values indicators)	IRG	MDI, STTAs	March 1, 2015 - September 30, 2015	First Draft of Assets evaluation methodology developed as a prerequisite for RAB and discussed	
Assist NECSRC in the gradual introduction of RAB incentive tariff regulation for heating and water utilities	IRG	MDI, STTAs	May 1, 2015 - August 30, 2015	Draft Concept Paper and Action Plan of gradual introduction of RAB developed	
Assist NECSRC in establishment of the transparent system of tariff setting and regulatory decision making	IRG	MDI, STTAs	June 1 – August 30, 2015	Report with recommendations on improving regulatory transparency prepared	<b>M 1.2.3.3 Basis for RAB incentive tariff regulation established</b>
Develop the system to assess and forecast service affordability for population	IRG	MDI	December 15, 2014 – May 30, 2015	Report on the methodology for assessment and forecasting service affordability for population prepared (including system structure description; models for assessment and forecasting of service affordability indicators; principles of informational support; an examples of the affordability assessment)	

Assist in preparation of the tools for assessment and forecasting of economic affordability of communal services			May 1, 2015 – August 30, 2015	The tools for assessment and forecasting service affordability for population developed. The report and instructive materials are prepared.	
Develop and test the methodology for interviews of the consumers in order to identify their readiness to pay for the housing and communal services	IRG	MDI	April 1, 2015 – September 30, 2015	Methodology for interviews prepared and tested	<b>M 1.2.3.4 Tariff affordability assessed</b>
<b>Sub-task 1.2.4 Developing Utility Benchmarking</b>	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Validation of key performance indicators; Commission able to objectively inform consumers of each utilities' performance to ensure transparency and educate consumers; Commission be able to establish industry best average for municipal utilities and will introduce incentives/penalties.	Benchmarking system tested to ensure transparency and monitoring of utilities' performance, i.e. quality of services
Provide assistance and support NECSRC to improve the Regulatory reporting forms by the licensees	IRG	MDI	April 1, 2015 – June 30, 2015	The Regulatory reporting forms by the licensees are improved and approved by NECSRC	
Test new regulatory reporting forms for compliance with the accounting principles with 10 pilot utilities	IRG	MDI	June 10, 2015 – July 30, 2015	Memos, notes, recommendations of consultants	<b>M 1.2.4.1 Utilities trained to properly implement accounting rules</b>
Development of the methodological recommendations on accounting for the licensed types of activities, and their approval by the Ministry of Finance or by its institutes	IRG	MDI	April 1, 2015 – August 30, 2015	Recommendations on accounting prepared	
Assist NECSRC in training seminars for Regional Offices and utilities to build capacity for applying new Regulatory reporting according to the agreed training curriculum	IRG	MDI	August 1, 2015 – September 30, 2015	Training materials, presentations, list of participants, training organized and presented for utilities	<b>M 1.2.4.2 New regulatory reporting taught to utilities</b>
Conduct data analysis applying different methods of economic analysis (clustering licensees in the water and wastewater sector), performance analysis in the water and wastewater sector	IRG	MDI	November 1, 2014 – September 30, 2015	General Report on performance analysis in the water and wastewater sector prepared.  Results of the performed research presented to NECSRC	
Review and optimize the list of performance indicators, select 10-15 of them to conduct the further analysis	IRG	MDI	January 15, 2015 – March 30, 2015	Report on work performed and KPI selected	
Develop recommendations on initial data	IRG	MDI	April 1, 2015 –	Recommendations developed	

collection for benchmarking purposes			September 30, 2015		
Develop a mechanism for using benchmarking indicators based on analysis of best international practices	IRG	MDI	April 1, 2015 - August 30, 2015	A mechanism for using benchmarking indicators developed.  Recommendations on application of benchmarking indicators prepared based on best international practices	<b>M 1.2.4.3 New regulatory benchmarking system developed</b>
Train NECSRC staff (including its Regional Offices) on introduction of the benchmarking system	IRG	MDI	August 1, 2015 – September 30, 2015	Training/presentation conducted for NECSRC staff on benchmarking and related issues	
<b>Task 1.3 Supporting Improvement of Social Safety Net for Vulnerable Population</b>	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	<b>Better transparency of energy subsidies: direct/targeted/means-tested/monetized; better protection for the poor and efficiency adoption among low-income end users.</b>	<b>Targeted social subsidies provided to low-income families to mitigate tariffs increase</b>
Enhance coordination on social protection of low-income consumers with WB team and GOU working groups on social protection	IRG	MDI	October 1, 2014 – September 30, 2015	Minutes of meetings of WGs. Coordinated list of activities with WB on social protection	<b>M 1.3.1 Coordination with WB, GOU and other donors on social protection is functioning</b>
Assist the GOU, i.e. Ministry of Social Policy, with optimization and enforcement of new mechanisms of social assistance for consumers of housing and utility services through targeted “means tested” subsidies	IRG	MDI, STTAs	October 1, 2014 – June 30, 2015	Reports with advices, comments and recommendations. Minutes of meetings.	
Develop proposals on improvement of social housing norms and norms of consumption of housing and utility services	IRG	MDI, STTAs	October 1, 2014 – June 30, 2015	Report with analysis, proposals and recommendations on improvement of consumption norms, draft of a GOU Decree	
Provide capacity building of Ministry of Social Policy and its regional offices on enforcement of new social protection mechanisms:  Support Ministry of Social Policy in conducting the national seminar «Subsidies granted for payment of housing and communal services: new mechanisms and opportunities”  (in coordination with Task 1.5)	IRG	MDI, STTAs	March 1, 2015 – March 30, 2015	Report prepared. Training materials and presentations developed.	
Provide training for local social protection offices	IRG	MDI, STTAs	April 1, 2015 –	Report prepared. Training materials and presentations	

on the new social protection mechanisms (Phase 1 in coordination with Task 1.5)			May 30, 2015	developed.	
Provide training for local social protection offices on the new social protection mechanisms (Phase 2 in coordination with Task 1.5)	IRG	MDI, STTAs	September 1, 2015 – September 30, 2015	Report prepared. Training materials and presentations developed.	<b>M 1.3.2</b> New system of social subsidies to low-income consumers operational
Organize data collection in the partner cities and regional offices of social protection on efficiency of new system of subsidies	IRG	MDI, STTAs	June 1, 2015 – September 30, 2015	First Draft of Data collection report (as of September 30, 2015) prepared	
Develop Concept Paper for transition to the monetized targeted assistance to consumers of housing and utility services	IRG	MDI, STTAs	June 1, 2015 – August 31, 2015	Concept Paper and Plan of actions for transition to the monetized targeted assistance prepared	
Develop recommendations on improvement of the system of privileges granted for payment of utility bills	IRG	MDI, STTAs	June 1, 2015 – September 30, 2015	Report with recommendations on changes to the system of privileges prepared	
Organize round table discussions with the GOU on efficiency of new subsidies system and recommended changes to the system of privileges	IRG	MDI, STTAs	August 1, 2015 – September 30, 2015	Round table materials and presentations prepared	<b>M 1.3.3</b> Transparency of social subsidies to low-income consumers improved
Assist the GOU to reform the system of privileges granted for payment for housing and communal services	IRG	MDI, STTAs	June 1, 2015 – September 30, 2015	Minutes on meetings/WGs	
<b>Task 1.4 Supporting Energy Efficiency Standards</b>	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	<b>Preparation and passage of key standards; improved capacity of GOU entities to develop and enforce new standards and norms.</b>	<b>Ukrainian Energy Standards comply with EU Energy Community recommendations</b>
In coordination with EBRD and GIZ, assist GOU Technical Committees in reviewing and approving EE standards	IRG	STTAs, SRIBC	October 1, 2014 – September 30, 2015	Minutes of meetings with GOU technical committees. Assessment reports and recommendations	
Assist SAAE in developing training on Energy Management Standard ISO 50001	IRG	STTAs	October 1, 2014 – March 30, 2015	Training materials	
Assist SAAE in development of enforcement action and documents for implementation of	IRG	STTAs,	April 1, 2015 – September 30,	Draft documents	

energy management systems as per ISO50001		Ukrainian AEE	2015		
Prepare and implement energy managers certification program based on US AEE training curriculum	IRG	US AEE, Ukrainian AEE	May 1, 2015 – September 30, 2015	Energy managers certification program started	M 1.4.1 Enforcement supported for Energy Management Standard
Assist SAEE in preparing methodology on calculation of renewable energy part in the energy balance of Ukraine, based on EU approach	IRG	JurEnerg, STTAs	January 1, 2015 – May 30, 2015	Report with recommended approach and methodology	
Assist SAEE in developing Concept of Energy Monitoring	IRG	MDI	January 1, 2015 – September 30, 2015	Concept Paper prepared	
Assist MinRegion in finalizing and approving Standard on Energy Audit of Buildings	IRG	SRIBC	October 1, 2014 – April 30, 2015	Memo of MinRegion Technical Committee	M 1.4.2 Standard on Energy Audits in Buildings approved
Develop new standard as per EN 12831, Heating systems in Buildings – Method for calculation of the design heat load	IRG	SRIBC, ENSI	April 1 – September 30, 2015	Draft standard and supportive documents	
Develop new standard as per EN ISO 10077-1, Thermal performance of windows, doors and shutters – Calculation of thermal transmittance – Part 1: General	IRG	SRIBC, ENSI	April 1 – September 30, 2015	Draft standard and supportive documents	
Assist MinRegion in review and discussion of EN 12831 and EN ISO 10077-1 standards	IRG	SRIBC	August 1 – September 30, 2015	Memo with decisions of MinRegion Technical Committee meetings	M 1.4.3 Two new energy standards developed
<b>Task 1.5 Public Information and Awareness</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Public and civil society support to CE/EE measures and social safety net in the cities; Behavior change that supports energy conservation and use of alternative energy resources</b>	<b>Public is well informed about EE and CE measures and social protection system. Local NGOs, media and associations ensure support and transparency</b>
Develop and submit to USAID a Public Communication, Messaging and Outreach Concept and an Action Plan	IRG	MDI	May 1, 2015 – May 30, 2015	Public Communication, Messaging and Outreach Concept and an Action Plan	M 1.5.1 Public Communication, Messaging and Outreach Concept and an Action Plan approved by USAID



Maintain regular coordination on PR activities with MinRegion PR WG, CabMin, donors, GOU Committee of Reforms, and USAID OTI	IRG	MDI, OPORA	May 1, 2015 – September 30, 2015	List of coordinated events and activities	
Cooperate with advertising agencies to develop design of outdoor and video PSAs, advertisements for social media, other information materials	IRG	MDI, OPORA, private partners	May 1, 2015 – July 30, 2015	Public services advertisement materials developed with JWT or other advertising agency assistance	
Develop information materials (including video PSA) on the need of bringing tariffs to economically grounded level (understanding of these steps is a guarantee of effective work of communal enterprises) and social protection measures for low-income consumers	IRG	MDI, OPORA, private partners	May 1, 2015 – July 30, 2015	Public communications materials will include TV/Radio PSAs, brochures, reports, handouts, training materials, posters, banners, press releases and other public outreach materials to support outreach campaign on social safety nets	<b>M 1.5.2 Public information materials and PSAs on EE/CE and social safety nets developed</b>
Conduct targeted outreach to low-income residents and vulnerable groups, in support of Ukraine's tariff regulation reform and social safety net	IRG	MDI	May 1, 2015 – September 30, 2015	Reports on public events for targeted population (low-income families) about <b>social protection mechanism</b>	
For the media, hold expert energy briefings followed by trainings on the range of story options including social issues, EE lifestyle, alternative energy resources, OSBB, tariff reform, etc.	IRG	CURE, MDI	June-September 30, 2015	Concept of the training developed.  Trainings scheduled and partially held in cooperation with regional Press Clubs of MERP pilot cities.  Journalists understand the importance to promote topics of CE/EE to support Ukraine's energy security and to educate public on issues related to OSBB development, tariff reform, and social safety net.	
Promote all topics through social media, MERP and partners' web sites and FB pages	IRG	OPORA, MDI	January-September, 2015	PSAs, information materials, analytical documents, articles and success stories	
Support media program (on TV and radio) to promote themes of CE/EE; explain changes related to tariff reform and social safety net	IRG	MDI, OPORA	June-September 30, 2015	MERP will establish cooperation with TV production studio to develop a concept and support media programs on a range of topics, promoted by MERP.	
Disseminate a range of information related to CE/EE, social safety net, tariff reform through TV and radio media round tables/expert opinions, call in shows; analytical articles in electronic and printed media.	IRG	MDI, OPORA	October 2014-September 30, 2015	Outreach topics are promoted through national and regional media; MERP experts and local partners are in demand to comment on relevant subjects in regional media outlets.	
Promotion of all topics through social media, MERP and partners' web sites and FB pages	IRG	OPORA, MDI	January-September, 2015	PSAs, information materials, analytical documents, articles and success stories	<b>M 1.5.3 Public messaging and education on social</b>

					<b>safety net conducted</b>
Cooperate with local HOA/OSBB Resource Centers/Communal Service Enterprises/Regional Social Protection Offices/AUC regional offices/Bibliomist Project on materials distribution among residents of Ukrainian municipalities.	IRG	MDI,OPORA, Bibliomist, RTCs	June 1, 2015- September 30, 2015	Agreement established; Information materials on EE/AE as well as targeted information among low-income families about social protection mechanism distributed.	
Cooperate with manufacturers of EE materials and equipment, such as Henkel, Danfoss, Rehau, Vekka to set up information/exhibition corners at HOA/CE Resource Centers and libraries, cooperating with USAID Bibliomist project to serve as public education centers for effective EE technologies and measures.	IRG	MDI, Bibliomist, Henkel, Danfoss, Rehau, Vekka	July 1, 2015- September, 2015	Agreement established; Samples of materials and equipment set up in info corners of education centers.	
Hold joint training session with Bibliomist project to educate interested librarians on issues related to CE/EE to involve libraries into energy education reform.	IRG	MDI, Bibliomist, Henkel, Danfoss, Rehau, Vekka	September, 2015	Concept and agenda for the training developed. Training held.	
Widely support outreach campaign through the range of activities in the partner-cities, such as Energy Efficiency Days, USAID Field Days, Sustainable Energy Weeks, Public Hearings, etc.	IRG	MDI, OPORA, private partners	June 1, 2015 – September 30, 2015	Public events conducted; Information materials distributed;	
Develop range of materials and educate citizens on benefits of ownership (Condominium development) as a primary motivating force for energy savings in HOAs through support of pilot Community Based Marketing Campaign in Lviv.	IRG	MDI, Lviv city administration, Lviv City Institute	June-September 30, 2015	Concept of CBMC developed, materials developed and printed. Campaign conducted.	
Conduct contest for the most effective EE measures in residential buildings among residents of multi-apartment buildings in MERP partner-cities	IRG	MDI, OPORA	July-September, 2015	Concept developed. Contest announced.	<b>M 1.5.4 National public awareness campaign to promote energy efficiency, energy conservation and renewable energy, implemented</b>

## Activity 2: Promote Investment In Clean Energy Technologies And Applications

**Expected results:** Local governments' capacity to develop and implement low emission development plans enhanced; Municipal managers access financial resources to implement clean energy and energy savings projects; Municipal capacity to develop and implement clean energy investment project is improved; USAID clean energy funding is leveraged at least 1:20 by other donors, government entities and private investors; GHG emissions decrease (per year and projected from baseline) as a result of USG-assisted clean energy projects

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
<b>Task 2.1 Developing cooperation strategies</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Selection methodology developed and approved by USAID/IFIs; MOUs signed with eight 'quick start' municipalities to participate in MERP; MOUs signed with seven additional municipalities to participate in MERP; IFIs concur that they are ready to invest in projects in those cities</b>	<b>Coordinated selection of second group of partner cities</b>
Review of IFIs portfolios for selection of second group of partner cities	IRG	RTCs	October 1 – 30, 2014	Memo on IFIs investment portfolios	
Concur with USAID and IFIs list of the cities for the second group	IRG	RTCs	November 1- 30, 2014	Concurred list of cities for second group	<b>M 2.1.1 Second group cities agreed with donors and approved by USAID</b>
Develop activity plan for each partner city and agree it with the city authorities	IRG	RTCs	December 1 - 30, 2014	Activity plans with partner cities	
<b>Task 2.2 Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Assisted cities in development of SEAPs and energy management systems; attracted IFI financing; built additional Ukrainian expertise and experience in energy auditing, SEAP assistance, and related CE/EE skills; built sustainable Ukrainian financial knowledge and expertise through practical training on preparation of pre-feasibility studies and business plans.</b>	<b>Cities supported on SEAPs and investment in EE and CE projects</b>
Conduct the third training seminar for first group of cities on SEAPs investment programs	IRG	RTCs	October 15, 2014 – October 20, 2014	Training materials on SEAPs' investment opportunities	
Assist first group of partner cities in development of SEAPs and preparation of SEAPs for presentation, discussion, and approval by city councils	IRG	RTCs	November 1, 2014 – December 30, 2014	SEAPs developed and handed to cities	

Conduct workshops on public hearings on EE/CE, SEAP approval, for pilot cities	IRG	MDI, RTCs, OPORA	January 1, 2015 – February 20, 2015	Reports on the workshops prepared, including lists of participants, presentations, etc.	
Develop condensed versions of SEAPs of pilot cities to be discussed with population before and during public hearings	IRG	MDI, RTCs, OPORA	January 1, 2015 – February 20, 2015	Condensed versions of SEAPs are disseminated to population before and during public hearings to increase awareness of population of goals, tasks and expected results of implementation of SEAPs	
Present SEAPs to key stakeholders, hold discussions with general public and interested parties. Assist the first group of partner cities in getting political approval of developed SEAPs and	IRG	RTCs, OPORA	December 15, 2014 – February 20, 2015	SEAPs approved by city councils of first group and submitted to EU Covenant of Mayors	<b>M 2.2.1 SEAPs of the first group of cities approved by the city authorities, submitted to EU</b>
Support international exchanges of first group partner cities within EU Covenant of Mayors	IRG	EnEffect, Association of EE Cities	May 1, 2015 – June 30, 2015	International exchanges organized within EU Covenant of Mayors	
Identify investment opportunities in each of partner cities from first group and present them to IFIs, commercial banks and investors	IRG	OptimEnerg, Arnika	October 1, 2014 – March 30, 2015	Minutes of meetings with IFIs. Concepts of investment opportunities	
Develop a Project Proposal Manual for the purpose of SEAP implementation	IRG	MDI	October 1, 2014 – February 28, 2015	A Project Proposal Manual for SEAP implementation developed	
Conduct a workshop on the Project Proposal Manual for MERP pilot cities / RTCs	IRG	MDI, RTCs	March 1, 2015 – April 30, 2015	A workshop on the Project Proposal Manual for SEAP implementation conducted for MERP pilot cities / RTCs	
Prepare investment proposals (i.e. pre-feasibility studies, business plans) on EE and CE projects for the first group of cities	IRG	OptimEnerg, Arnika	January 1 – June 30, 2015	Concepts, business plans, pre-feasibility studies	
Prepare technical specifications and conduct training of PIU for first group of cities	IRG	OptimEnerg, Arnika	October 1, 2014 – August 30, 2015	Technical specifications and training materials for PIU	
Prepare Business Plans in the IFIs format for CE investment projects	IRG	MDI, OptimEnerg, Arnika	October 1, 2014 – August 30, 2015	At least two Business Plans on CE investment projects prepared in the IFIs format	
Assist municipalities with presentations of Business Plans to IFIs and other investors. Ongoing assistance to municipalities until a	IRG	MDI, OptimEnerg, Arnika	March 1, 2015 – September 30, 2015	Presentations of Business Plans prepared. Ongoing assistance to municipalities, including	<b>M 2.2.2 Investment proposals developed to attract IFIs financing in the</b>

loan is issued				negotiations assistance.	first group of cities
Prepare the concept of expanding the scope of functions of CACs to clean energy projects	IRG	MDI	October 1, 2014 – December 31, 2014	The concept of expanding the scope of functions of CACs to clean energy projects developed.  The working meeting on expanding the scope of functions of CACs to clean energy conducted for representatives of 15 CACs	
Conduct three training workshops for staff of CACs on clean energy, energy efficiency technologies and actions, project financing, fundraising, organizational and legal issues, team building	IRG	MDI	March 1, 2014 – May 30, 2015	Capacity of CACs to clean energy projects improved  Three workshops for staff of CACs conducted  Training materials, agenda, list of participants, training feedback materials prepared  Report on training workshops produced	
Assist Clean Energy Advisory Centers with legal, technical, economic, ecological, and other key issues (information and methodological assistance)	IRG	MDI	June 1, 2015 – September 30, 2015	Analytical documents, assessment reports, comments and recommendations	
Organize introduction seminar on SEAPs for the second group of selected cities	IRG	EnEffect, RTCs	January 1, 2015 - January 30, 2015	Presentations and materials of the introduction seminar	
Assist second group of cities in establishing City Advisory Committees and expert WGs for SEAPs development	IRG	RTCs	January 1, 2015 – February 28, 2015	Memo on establishment of City Advisory Committees and WGs	
Transfer the Municipal Energy Information System (MEIS) to the cities of second group and train city staff on the use of the System	IRG	EnEffect, RTCs	February 15, 2015 – March 15, 2015	Software and training materials on MEIS	
Organize three training seminars for partner cities from second group on SEAP development.	IRG	EnEffect, RTCs	February 1, 2015 – July 30, 2015	Training materials, presentations, analytical documents	<b>M 2.2.3 Institutional basis and capacity built for SEAPs in second group of cities</b>
Prepare recommendations and provide assistance to the cities of second group on improving energy monitoring, data collection and analysis, and methodologies for CO <sub>2</sub> emission calculation.	IRG	EnEffect, RTCs	March 15, 2015 – April 15, 2015	Energy monitoring and data collection forms, training materials	
Conduct energy audits in the cities to evaluate	IRG	OptimEnergio,	February 15, 2015	Report on energy audits of communal services	

current baselines and estimate potential for EE/CE/GHG emission reduction projects for key municipal service areas.		Arnika, others	– May 30, 2015	systems and sample model buildings	
Compile a comprehensive database for each participating city, including characterizations of multi-dwelling and public buildings, their historical energy use, energy producers and their transmission systems.	IRG	RTCs	April 15, 2015 – May 30, 2015	Database on energy consumption and CO <sub>2</sub> emissions	<b>M 2.2.4 SEAPs' data collected</b>
Prepare SEAPs and present to key stakeholders	IRG	EnEffect, RTCs	July 1, 2015 – August 30, 2015	Draft SEAPs. Memo of City Advisory Committees.	
Engage local civil society organizations in SEAPs review and discussion	IRG	OPORA	July 1 – September 30, 2015	Memo on public round tables related and public consultations to SEAPs	<b>M 2.2.5 SEAPs prepared and discussed with local communities</b>
Train cities of second group on preparation of bankable investment proposals	IRG	RTCs	August 1 – September 30, 2015	Training materials on investment proposal preparation	
Provide assistance and capacity building to PIUs on international procurement for second group of cities	IRG	OptimEnergio, Arnika	July 1 – September 30, 2015	Training materials and technical documents for PIUs	<b>M 2.2.6 Preparation of bankable projects started for second group of cities</b>
<b>Task 2.3 Introduction of Energy Management Systems</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Energy management systems established in 15 partner cities based on ISO 50001 (5 started certification); energy management and monitoring approach generates 5% savings.</b>	<b>Partner cities established Municipal Energy Systems and started its operation</b>
Train partner cities and their municipal utilities on energy management cycle which includes: energy audit, monitoring and baseline definition, analysis of energy consumption, preparation of energy plans, and implementation of EE measures	IRG	OptimEnergio, Arnika	November 1 – December 30, 2014	Training materials, agenda, list of participants, training appreciation questionnaire	<b>M 2.3.1 Local capacity built on Municipal Energy Management</b>
Assist partner cities in preparing energy management documentation, procedures and tool according to ISO 50001 requirements	IRG	OptimEnergio, Arnika	February 1 – March 30, 2015	Set of documents, procedures, and templates on Municipal Energy Management	
Assist cities and utilities' management in formulating energy management org chart with description of roles and responsibilities of energy managers	IRG	OptimEnergio, Arnika	April 1 – June 30, 2015	City org charts on energy management	<b>M 2.3.2 Energy Management Systems established in partner cities</b>

Organize dissemination of this experience to other cities of the region through round tables, webinars and other dissemination tools	IRG	OptimEnergio, Arnika	June 1 – August 30, 2015	Booklets, brochures, and memos on round tables	
<b>Task 2.4 Development Credit Authority Loan Guarantee</b>	IRG	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Leveraged local bank/lender financing; train at least 5 banks on the loan guarantee mechanism, and at least 2 banks will participate in the program; build sustainable Ukrainian financial knowledge and expertise through practical training on preparation of pre-feasibility studies and business plans.</b>	<b>Commercial lending become available for municipal EE and RE projects with support of DCA partial guarantee</b>
Continue assistance to Bank Lviv on utilization of USAID DCA for energy efficiency by providing training to relevant bank departments	IRG	MDI	October 1, 2014 – September 30, 2015	Schedule of trainings agreed with Bank Lviv. Training materials	
Conduct training seminars and round tables for HOAs and SMEs on end-use energy efficiency to grow demand for commercial lending from Bank Lviv	IRG	MDI	January 1, 2015 – September 30, 2015	Training materials, memo on round tables	
Conduct monitoring of utilization rate of USAID DCA with Bank Lviv and provide recommendations on its improvement	IRG	MDI	October 1, 2014 – September 30, 2015	Monitoring memo on a quarterly basis	<b>M 2.4.1 DCA with Bank Lviv is well functioning</b>
Assist USAID in analysis of pre-selected bank (s) for new DCA	IRG	MDI	February 1, 2015 – March 30, 2015	Report with data and analysis on pre-selected bank (s)	
Assist USAID in discussions with the bank selected for new DCA	IRG	MDI	April 1, 2015 – September 30, 2015	Minutes of meetings. Comments and recommendations	<b>M 2.4.2 New DCA on energy efficiency and renewable energy started</b>
<b>Task 2.5 Support Mechanisms that Mobilize Private Sector Investment</b>	IRG	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Developed law on ESCO/EPC; 2 EPC contracts initiated with support of IFIs or private investors; 3 concepts of CE/EE projects developed; public participation discussions organized on PPPs.</b>	<b>Cities initiated PPPs (ESCOs and lease/concessions) for municipal EE and RE projects</b>
Analyze partner cities needs in establishment of ESCO/EPC	IRG	STTAs	April 1, 2015 – June 30, 2015	Report with description of cities' needs in ESCO/EPC	
Update legal and financial documentation needed for implementation of EPC for Kyiv ESCO	IRG	IBSER, ANTIKA	January 1, 2015 – June 30, 2015	Package on ESCO/EPC developed for one partner city, i.e. procurement documents, draft agreements, etc.	

In cooperation with EBRD, develop Concept on ESCO for 2 municipalities	IRG	IBSER, ANTIKA	June 1, 2015 – August 30, 2015	Concepts developed	
Assist on investment attraction and implementation of municipal ESCO/EPC	IRG	IBSER, ANTIKA	May 1 – August 30, 2015	Draft city resolution on investment attraction, approval of EPC, technical documentation for tendering	
Assist in preparation of legal and financial documentation needed for implementation of ESCO	IRG	IBSER, ANTIKA	September 1, 2015 – Year 3	Draft documents	<b>M 2.5.1 ESCO/EPC for municipal end-use energy efficiency initiated</b>
Assess willingness of cities on CE PPP projects	IRG	MDI	June 1, 2015 – July 30, 2015	Reports on willingness of cities on CE PPP projects prepared	
Prepare pre-feasibility study for bio-fuel projects	IRG	REA, STTAs	March 1 – September 30, 2015	Pre-feasibility studies for two partner cities	
Develop the Concept of CE PPP projects and discuss it with key stakeholders	IRG	MDI	August 1, 2015 – September 30, 2015	Concept paper (s) developed and discussed	
Initiate the development of a set of documents needed to implement CE PPP projects	IRG	MDI	September 1, 2015 – Year 3	List of documents to be developed for implementation of PPP projects	<b>M 2.5.2 CE PPPs initiated</b>
<b>Task 2.6 Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials</b>	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Targeted public info campaigns in all selected municipalities; behavior change that supports energy conservation.	<b>Public in partner cities is well informed about EE and RE measures. Local NGOs, media and associations involved in SEAP and investment process</b>
Establish regular coordination on PR activities with MinRegion PR WG, donors, GOU Committee of Reforms, CabMin, and USAID OTI	IRG	MDI, OPORA	October 1, 2014 – September 30, 2015	List of coordinated events and activities	
Hold periodic Working Group Meetings on Communication Issues to adjust information strategy and assure its successful implementation in the cities.	IRG	MDI	October 1, 2014 – August 30, 2015	Minutes of WG meetings.	<b>M 2.6.1 PR coordination established and operational</b>
Assure multifaceted public awareness campaign on EE/alternative energy through development as well as distribution/promotion of targeted information materials in MERP	IRG	MDI, OPORA	October 1, 2014 – September 30, 2015	Information materials (posters, brochures, info graphic, PSAs), focused on: <b>Energy Efficiency</b> i.e. low-cost energy conservation tips, insulation technologies of multi-apartment	



partner cities.				buildings; selection of EE electrical appliances, use of vehicles, etc.  <b>Alternative Energy Resources i.e.</b> guideline for each separate city, covering specifics of local resources available to replace natural gas.	
Cooperation with advertising agencies to develop design of outdoor PSAs/information materials	IRG		October 1, 2014 – April 30, 2015	MERP will work with JWT or other advertising agency to develop outdoor information materials	<b>M 2.6.2 Key PSAs on municipal EE and RE developed</b>
Develop methodological recommendations on public hearings on EE/CE, SEAP approval, etc. in pilot cities	IRG	MDI	January 1, 2015 – March 30, 2015	Methodological recommendations on public hearings on EE/CE, SEAP approval, etc. in pilot cities developed	
Develop condensed versions of SEAPs of pilot cities to be discussed with population before and during public hearings	IRG	MDI, OPORA	January 1, 2015 – July 30, 2015	Condensed (up to 4 pages) versions of SEAPs are disseminated to population before and during public hearings to increase awareness of population of goals, tasks and expected results of implementation of SEAPs	
Conduct workshops on public hearings on EE/CE, SEAP approval, etc. in pilot cities	IRG	MDI	April 1, 2015 – June 30, 2015	Reports on the workshops prepared, including lists of participants, presentations, etc.	
In MERP pilot cities announce and conduct contest for journalists on the best publication on themes related to EE/Alternative Energy/Tariff regulation reform	IRG	CURE/Internews; MDI, OPORA	January 1 - June 30, 2015	Concept of the contest developed. Contest conducted. Winners identified	
Targeted public outreach events in the cities will include Energy Efficiency Days, contests on EE best practices, other public events and distribution of relevant information materials including placements of PSAs.	IRG	MDI, OPORA, city and oblast administrations of partner-cities	October 1, 2014 - September 30, 2015	Public events conducted; Information materials distributed;	
Promote themes of EE/Alternative Energy; explain changes related to tariff reform through TV and radio media round tables/expert opinions, call in shows; analytical articles in electronic and printed media.	IRG	City and oblast administrations, local media, CURE, OPORA, MDI	October 1, 2014 – September 30, 2015	Outreach topics are promoted through regional media; MERP experts and local partners are in demand to comment on relevant subjects in regional media outlets.	
Public hearings on SEAP to involve general public into discussion about priority areas of EE in MERP pilot cities	IRG	MDI, OPORA	May 1, 2015 - September 30, 2015	Public hearings in MERP pilot cities held, priorities with EE investments identified.	<b>M 2.6.3 Public events organized to support SEAPs and investments in municipal EE and RE</b>

Support of partners' web sites and dissemination of best practices	IRG	MDI	October 1, 2014 – September 30, 2015	Information materials, analytical documents, articles and success stories	
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### Activity 3: Capacity Building and Dissemination

**Expected results:** Energy audits, municipal energy plans, and energy management and monitoring are national norms; GOU or local organization has the ability to develop further EE technical standards to meet international standards; cooperation between municipal governments and the civil society sector is strengthened; local capacity to implement CE initiatives through direct donor awards is improved; GOU systems to implement CE initiatives through G2G are improved.

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
<b>Task 3.1 Preparing a local non-governmental organization for a direct award from USAID</b>	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	NGOs are trained and their operations are improved; local NGO will be eligible to receive direct award from USAID by the end of Year 2.	Local NGOs trained and their capacity to manage grants' programs improved
Based on Request for Applications issued during Year 1 of the Project (September 2014), conduct selection of at least two local NGOs	IRG	None	October 1, 2014 – October 30, 2014	Evaluation report prepared and submitted to USAID	
Conduct negotiations and make sub-grants to at least 2 local NGOs	IRG	None	October 15, 2014 – December 30, 2014	Four sub awards signed	<b>M 3.1.1 Grants awarded to local NGOs</b>
Based on Capacity Building Plans (CBPs), conduct technical skills and capacity improvement for selected NGOs	IRG	MDI, STTAs	October 15 – December 30, 2014	Training provided to selected NGOs. Training materials for technical areas.	<b>M 3.1.2 Comprehensive training provided according to Capacity Building Plans</b>
In consultation with USAID develop draft program description outlining list of activities to be implemented by a local partner under a direct award from USAID	IRG	STTAs	January 1, 2015 - February 15, 2015	Draft program description developed	
Based on CBPs, assist local partners to improve organizational procedures and practices (e.g., accounting, financing, procurement, reporting, branding) to meet the criteria of eligibility for direct USAID awards.	IRG	Consultants	February 15, 2015 – September 30, 2015	Selected NGOs organizational procedures and practices improved.	
Work with NGO "Renewable Energy Agency to prepare it for a Non-U.S. Organization Pre-award Survey (NUPAS)	IRG	Consultants	February 15, 2015 – August 30, 2015	NGO "Renewable Energy Agency prepared for NUPAS	
Based on the agreed criteria access NGO	IRG	Ernst & Young	May 1, 2015 -	Verification (NUPAS) report to access NGO readiness	

readiness for direct USAID award			June 30, 2015	for a direct award from USAID	
USAID jointly with IRG conduct certification of eligibility for at least one local NGO	USAID	IRG	July 15, 2015 – August 30, 2015	Pre-award survey (NUPAS) Report issued by USAID	<b>M 3.1.3 NGO certification of eligibility conducted</b>
Provision of technical assistance to the local NGO to rectify deficiencies identified in the NUPAS to ensure compliance with USAID criteria	IRG	Consultants	August 1, 2015 – September 30, 2015	NGO organizational procedures and practices improved to comply with USAID criteria. Report on activities (verification report).	
Prepare a report on capacity building activities	IRG	Consultants	September 1, 2015 – September 30, 2015	Capacity Building Report summarizing the implemented capacity building activities and performance of the local partners as sub-grantees.	<b>M 3.1.4 NGO Capacity Building Report developed</b>
<b>Cross cutting (Anti-corruption)</b>	<b>IRG</b>	<b>OPORA</b>	<b>Quarters 3, 4</b>	<b>Local organizations (NGOs) and journalists supported in better advocating for transparency and disclosure in the energy sector</b>	<b>Local anti-corruption coalitions established to advocate for transparency and disclosure in the energy sector</b>
Development of methodology (approach) and work plan for anti-corruption activities, identification of local and national partners	IRG	OPORA	June 1, 2015 – July 30, 2015	Work plan and methodology developed	
Conduct coordination meetings with key partners, including civil society groups, anti-corruption 'watchdog' organizations and investigative journalists	IRG	OPORA	June 1, 2015 – August 30, 2015	Coordination and cooperation with key partners established	
Creation of local (city level) anti-corruption coalitions involving civil society, creation of networks and social media groups	IRG	OPORA	July 1, 2015 - September 30, 2015	Local anti-corruption coalitions established, social media groups created	<b>M 3.1.5 Local anti-corruption coalitions established</b>
Conduct trainings on anti-corruption for local civil society representatives and journalists	IRG	OPORA	August 1, 2015 – September 30, 2015	Training provided to for local civil society representatives and journalists. Training materials.	
Support to collection, analysis, publication and distribution of information on anti-corruption, information disclose to public	IRG	OPORA, Local Partner NGOs	August 1, 2015 – September 30, 2015	Analytical materials, publications	
Conduct local press clubs, presentations and discussions aimed to advocate for transparency and disclosure in the energy sector	IRG	OPORA, Local Partner NGOs	August 1, 2015 – September 30, 2015	Analytical materials, reports	<b>M 3.1.6 Improved transparency and disclosure supported</b>

#### Activity 4: Enhance Capacity for the GOU in Low Emission Development Strategies (EC LEDS)

Expected results: LEDS/REDS milestones and benchmarks met. The GOU's and other public and private stakeholders' capacity to develop and implement low emission

development strategies is increased					
Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
<b>Task 4.1 Strengthening institutional capacity in planning LEDS-REDS</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>National Inventory System is enhanced and deployed according to international best practice; incorporation of LEDS-REDS into sectorial and local government strategies/action plans; several GOU agencies able to use TIMES-MARKAL to develop GHG emission mitigation options; institutional capacity of governments on LEDS/REDS improved – intra-government coordination established.</b>	<b>LEDS institutional infrastructure and planning capacity improved</b>
Provide technical, advisory and dissemination and public awareness support for updating and adopting 6 <sup>th</sup> National Climate Change Communication and First Biannual Report of Ukraine	IRG	STTAs, IEEC	October 1 – December 30, 2014	6 <sup>th</sup> National Climate Change Communication updated and assessed by UNFCCC international experts. Public, civil society and state bodies and institutions awareness campaign is conducted. First Biannual Report is assessed by UNFCCC international experts and updated. Public and scientific awareness campaign is conducted.	<b>M 4.1.1 6<sup>th</sup> National Climate Change Communication Report.</b>
Discuss and sign MOU and Work Plan on EC LEDS with GOU agency responsible for GCC	IRG	STTAs	January 1, 2015 – February 20, 2015	MOU and WP signed with the Ministry of Ecology	
LEDS Implementation Working Group established and conduct regular meetings in order to monitor and update implementation of the Work Plan.	IRG	CCS, IEEC, STTAs	January 1, 2015 – September 30, 2015	Working Group established. Agenda, materials and minutes of the meeting.	
Conduct assessment and develop Concept Paper for EC LEDS capacity building	IRG	CCS	November 1, 2014 – March 30, 2015	Concept Paper prepared and discussed with stakeholders	
Prepare training curriculum on EC LEDS and build institutional capacities on LEDS policy planning and implementation of LEDS inter-agency and intra-agency working groups.	IRG	CCS, STTAs, IEEC,	March 1, 2014 – September 30, 2015	Training and workshops curriculum developed, training sessions are conducted and on-line support tools are developed and operational.	
Support development of INDCs. Conduct a process of broad stakeholder consultations in accordance with best international practices.	IRG	DWG, IEF, STTAs	March 1, 2015 – September 30, 2015	Recommendations developed for Ukraine INDCs and proposed for GOU adoption.	

Assist GOU WGs on development of EC LEDS Action Plan	IRG	CCS, STTAs, IEEC	May 1, 2015 – September 30, 2015	LEDS Planning technical exchange: 3E Baseline Development conducted. State agencies, stakeholders, university experts and academia are involved.	<b>M 4.1.2 EC LEDS coordination, capacity and planning improved</b>
Support National GHG Inventory System Enhancement Plan implementation and updates, is needed.	IRG	STTAs, IEEC	October 1, 2014 - May 30, 2015	National GHG Inventory Report (NIR) submission 2015 Preparation Plan is implemented and IPCC 2006 complied NIR is timely submitted to UNFCCC Secretariat.	
Provide on-going National GHG Inventory System inter-agency coordination support.	IRG	IEEC, STTAs	November 1, 2014 - September 30, 2015	Workshops and Round Tables reports. National GHG Inventory Expert Group is established and conduct meetings on regular basis.	
Further develop draft MRV regulations and propose them for a broad stakeholder consultation process on both national and regional levels	IRG	STTAs	January 1, 2015 – August 30, 2015	Draft documents on MRV	
Technology Needs Assessment for two sectors are developed: one industry and one municipal. TNA Brief Manual is developed based on lessons learned and taking into account national technical and economical circumstances.	IRG	IEEC, STTAs	October 1, 2014 – July 30, 2015	TNAs Reports and TNAs presentation. TNA Brief Manual.	<b>M 4.1.3 TNA Report and TNA Brief Manual.</b>
Update and enhance national TIMES-Ukraine modeling and incorporate/reflect GHG emissions, including baseline and various scenarios development.	IRG	DWG, STTAs, Institute of Economics	October 1, 2014- February 28, 2015	Development and implementation of modeling calculations for GHG emission and energy sectors development - baseline and alternative scenarios for GHG emissions and LEDS.	
Strengthen institutional capacity at the state level to apply Ukraine-specific analytical tools TIMES-Ukraine for LEDS purposes	IRG	DWG, STTAs, Institute of Economics	October 1, 2014 – June 30, 2015	Training materials on energy sector CO <sub>2</sub> and non-energy industry updated modeling; LEDS Planning TIMES-Ukraine; Reference workshops and materials; templates and manuals on how to use of the analytical tools TIMES-Ukraine	<b>M 4.1.4 LEDS analytical tools applied by two GOU agencies</b>
Develop draft KPI for LEDS development and implementation in Ukraine.	IRG	CCS, STTAs	July 30, 2015 – September 30, 2015	Draft KPIs developed for LEDS implementation.	<b>M 4.1.5 Draft KPIs developed for LEDS implementation.</b>
Incorporate LEDS issues into relevant Renewable Energy and Energy Efficiency policy and regulation documents.	IRG	JurEnerg, STTAs	October 1, 2014 – September 30, 2015	Draft proposals for LEDS-REDS provisions and analytical and legal assessments.	

<b>Task 4.2 Implementing LEDS-REDS through support in developing and introducing clean energy technologies and energy services</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>LEDS/REDS legislation developed and approved (score card: At least five legal/regulatory acts); At least five CE/EE projects developed, financed, and beginning implementation with a total value of \$10 M.</b>	<b>Climate Change Policies and projects developed to support LEDS</b>
Advise and support state bodies, high-level working groups, members of Verkhovna Rada and state committees on climate change issues and inclusion of climate change into their agendas.	IRG	STTAs, CCS	October 1, 2014 – September 30, 2015	Analytical and informational materials. Draft agendas and minutes of the meetings.	
Provide on-going technical and administrative support <b>to the Ministry of Ecology</b> on climate change international activities.	IRG	STTAs	February 1, 2015 – September 30, 2015	Minutes of the meetings, workshop reports. Analytical and assessment reports.	
Support development of the Draft Law on Climate Change Strategy and present it to expert and state officials. Broad stakeholders consultations process is conducted in accordance with best international practices. Draft policy paper is finalized and proposed for adoption.	IRG	STTAs, CCS	March 1, 2015 – September 30, 2015	<b>Concept of Draft Law developed</b>	
Support GOU working groups for relevant legislation drafting for LEDS	IRG	STTAs, CCS, JurEnerg	October 1, 2014 – August 30, 2015	Analytical documents, draft regulation and legislation	
Support quarterly meetings of GOU on UNFCCC Provisions Implementation and assist members of the Commission on preparation and follow-up of the meetings.	IRG	STTAs, CCS,	November 1, 2014 – September 30, 2015	Analytical reports, draft regulatory and policy documents, agendas and minutes of the meetings.	<b>M 4.2.1 Interagency Commission on UNFCCC Provisions Implementation activity enhanced.</b>
Prepare policies and programs for LEDS project specifications/guidelines and financing mechanisms	IRG	IEEC, STTAs	March 31 – September 30, 2015	Specifications and guidance for financing mechanisms	
Assist stakeholders in preparing CE investment projects	IRG	IEEC, STTAs	March 31 – September 30, 2014	CE/EE project identified	
Road Map for implementation of clean energy projects developed.	IRG	IEEC, STTAs	March 31 – August 30, 2015	Road Map on Implementation of Municipal Energy Efficient and Clean Energy Projects.	<b>M 4.2.2 Road Map on Implementation of Clean Energy Projects.</b>

Training seminars on clean energy projects are conducted.	IRG	IEECs, STTAs	July 30 – September 30, 2015	Training curriculum and materials.	
<b>Task 4.3 Developing a uniform database on LEDS and exchanging experiences and best practices with other countries participating in EC-LEDS.</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Uniform database established in accordance with international best practices; Ukraine integrated into international cooperation on LEDS.</b>	<b>GOU agencies linked to international LEDS portal and received information on best practices</b>
Provide recommendations on Work Function Section of uniform database.	IRG	CCS, STTAs, IEEC	October 1 – December 30, 2014	Scope of Work Function Section of uniformed database developed based on other countries LEDS experience and lessons learned.	
Operationalize and provide on-going technical and substantial support for LEDS database.	IRG	STTAs, CCS, IEEC	March 1, 2015 – September 30, 2015	LEDS database developed according to the needs and requirements of LEDS policies and activities.	<b>M 4.3.1 LEDS Database prepared</b>
Prepare Study Tour on LEDS in US to learn best international practices	IRG	CCS, DWG	September 15-30, 2015	Concept for study tour prepared	

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